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UNITED STATES DEPARTMENT OF AGRICULTURE

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OFFICE OF MARKETING SERVICES



ANNUAL REPORT OF MARKETING FACILITIES BRANCH

FISCAL YEAR ENDING JUNE 30, 1945

Washington, D. C.

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ORGANIZATION CHART OF THE MARKETING FACILITIES BRANCH

Marketing Facilities Branch
 William C. Crow, Chief
 L. M. Wolfersberger, Administrative Officer

Market Organization:	Transportation	Transportation Rates:	Division of	Marketing
and	Conservation and	and	Warehouse	Analysis Division
Facilities Division:	Investigation	Services Division	Supervision	
	Division			
C. P. Austin, Chief:	J. C. Winter, Chief:	C. B. Bowling, Chief:	H. S. Yohe, Chief:	F. V. Vaughn, Chief:
Main activities:-	Main Activities:-	Main Activities:-	Main Activities:-	Main Activities:-
Planning of mar-	Studies transpor-	Surveying rate	Administers the	Research and
ket facilities, de-	tation requirements:	structures of agri-	U. S. Warehouse	planning to improve
veloping and admin-	determines adequacy:	cultural products.	Act.	present marketing
stering storage	of facilities,	Obtaining equitable		programs and deve-
programs, cold	serves as claimant	freight rates on		lop new ones.
storage reports,	agency for trans-	farm products. In-		
and priorities for	portation for food,	proving transporta-		
construction of	develops and opera-	tion services. Pre-		
warehouses and ice	tes programs for	venting abandonment		
plants.	handling shortages	of necessary rail-		
	of transportation	road operations, and:		
	including conserva-	administering 28-		
	tion and priorities:	hour law in connec-		
		tion with livestock.		

INTRODUCTION

The Marketing Facilities Branch is responsible for all problems relating to the physical handling of farm products from the farm to the consumer. This includes market facilities for the assembly and sale of products, transportation, storage, and overall planning and program development in the marketing field. The purpose of this work is to open up larger outlets for farm products, reduce the cost of distribution, bring about a speedier and more orderly flow of products through the distributive system, and through such steps raise the standard of living of the American public. As shown on the preceding chart the work of the Marketing Facilities Branch is organized into five Divisions: the Market Organization and Facilities Division, the Transportation Conservation and Investigation Division, the Transportation Rates and Services Division, the Division of Warehouse Supervision, and the Marketing Analysis Division. In this report an effort is made not only to record the most important activities of each of these Divisions for the year but also to point out future activities that should be undertaken for the benefit of Agriculture and the public.

The Market Organization and Facilities Division is concerned with the organization, methods and facilities for handling and storage of farm products from grower to consumer. Its work includes the planning of concentration or assembly markets in producing areas, the problem of making certain that there is adequate space for the storage of the commodities from the time they are produced until they are consumed, and the improvement of terminal and secondary markets in consuming areas. The specific tasks which must be performed in carrying out the functions of the Division are many and varied. Proper locations, designs and methods of operation must be determined for all kinds of market facilities in producing areas and in the large cities. This calls for cooperation with farmers and trade groups, city and state officials, and real estate, civic, banking and other interests. It requires an intimate knowledge of marketing of all farm products because the purpose of creating a market is not merely the construction of a facility, but is to provide an efficient method of handling and an orderly method of distributing these commodities. Individual market plans are drawn to fit the marketing needs and to improve methods of handling. During the year detailed plans have been worked out for Hartford, Connecticut; Miami, Florida; Peoria, Illinois; Richmond and Roanoke, Virginia. We have assisted the State Director of Markets and the Extension Service in Alabama in designing the first of several markets in the proposed system of markets for that State. The facility has been completed and is successfully operating, and others are under construction. We are working with the Chamber of Commerce, wholesalers, farm groups and others in San Antonio, Texas, to determine what is needed there, and are cooperating with the State Market Commission, the Experiment Station, the Extension Service and others in Louisiana in work toward improvement of marketing in that State. Requests for assistance in planning markets which are being carried over at the end of the fiscal year are more than adequate to keep our present staff occupied for the

next fiscal year. Cities and rural areas throughout the country are very much interested in preparing their plans for market improvements so that the construction can be a part of the Postwar Public Works Program.

Although there has been no appreciable change this year in the general availability of building materials, progress of the war has continued to stimulate interest in marketing improvements. Cities and producing areas that were engaged in making plans for providing more efficient markets prior to the war and found it necessary to postpone these developments, now are eager to continue the work so that the facilities may be provided just as soon as materials are available. Then, too, with the new level of production achieved during the war the need for outlets for farm products after the war will be extremely urgent. Many areas that have never given serious consideration to the need for efficient market organization and methods and improved facilities are deeply interested in studying the needs and taking whatever steps that are necessary to provide for orderly and efficient marketing.

In connection with Postwar Public Works planning it was estimated that at least \$100,000,000 in self-liquidating projects are urgently needed and on an annual basis would make savings in distributing perishables of about one-third of this cost. This Division is working with the Council of State Governments in planning legislation which will be needed to charter non-profit corporations for the purpose of building and operating improved facilities.

In general this development is long overdue, and if the full benefit of the improvements is to be realized immediately after the war, the plans must be completed prior to the end of the war. The importance and urgency of this work is confirmed by the fact that Congress is conducting an investigation of agricultural marketing in order to determine what improvements are needed and how they may be made. The experienced personnel of this Division and the information in its files have been placed at the Congressional Committee's disposal in order to assist in every way possible.

Greatly expanded production, wartime accumulation of foods for movement overseas, fluctuation of shipments from the country due to the war, and price support programs have created many critical warehousing problems. In order to protect the country's food supply it became necessary in 1943 to give a great deal of attention to the problem of obtaining an adequate supply of warehouse space.

Cold storage holdings in 1943 and 1944 increased much more than production of foods, yet it was impossible to get sufficient materials to construct enough additional warehouses to meet requirements. It was necessary to utilize existing facilities fully to do most of the job. Consequently, the numerous programs which were instituted were continued and broadened through the first half of the year. All warehousemen were urged to utilize their space more efficiently. All products not requiring refrigeration were forced out of the houses

where the space was needed for more perishable products. The storage period was limited to a maximum of 10 months. Much warehouse space was made convertible from cooler to freezer to make its use more flexible. New warehouses were built in critical areas, and our information service continued to inform food handlers throughout the nation of all unoccupied storage space. Through the combined efforts of this Division and the Office of Labor manpower for the commercial cold storage industry was placed on the Production Urgency or "must" list. During the year our two food orders regulating the use of cold storage facilities were combined into one order and expanded to meet existing needs.

A purely wartime activity that has assumed major importance during the past two years has been the handling of priorities and tax amortization of refrigerated warehouses, ice manufacturing plants, and car icing stations. Several hundred applications have been processed. Since materials are scarce, a careful analysis of the applications was required to make certain that construction was concentrated in areas where the need was greatest and where the facilities would have the widest use. The engineering plans had to be analyzed in order to eliminate from each proposal as much critical material as possible. In many cases it was necessary to get out and find the materials for the applicant and to arrange for the financing of the projects. Where tax amortization was requested, studies of probable postwar value were required.

The basis of the cold storage work has been the information collected by the Cold Storage Reports Unit. A nation-wide survey was made of the cooler and freezer capacity of every cold storage warehouse in the country. Information was obtained from each warehouse twice a month to show the amount of its space that was occupied. Once each month figures have been obtained on the holdings of each commodity in each warehouse, and reports have been published. These figures not only have been the basis of the cold storage facility planning, but have been used by the commodity branches in their commodity management, by the Office of Price Administration in formulating its rationing programs, by the Office of Defense Transportation in regulating the flow of commodities to ports, and by the trade and farm groups as market information.

In the field of the Transportation Conservation and Investigation Division, shortages of the facilities for the movement of food and agricultural products - fewer freight cars, shortages of manpower, fewer and older trucks, the shortage of tires - have brought increasingly acute problems in the past year. Studies have been made to forecast the demand for various kinds of equipment, shortages anticipated, and action taken to avert the problem or to have its solution ready as soon as it appeared. The general approach has been that of conservation of existing equipment and use of alternative equipment in order to make the equipment available do the job. These methods were usually sufficient; but when they failed, priorities were established for the movement of commodities.

At the beginning of the fiscal year, the Motor Vehicle Essentiality List, prepared in cooperation with the War Production Board for the purpose of rationing gasoline for truck use to protect essential services, had to be broadened to include the distribution of all motor truck tires. This has required constant attention to meet changing conditions as the year progressed. The Branch has continued to work with the War Production Board and Office of Defense Transportation in developing regulations on the length of haul and number of deliveries by truck in order to conserve existing truck equipment.

For the first time since the war began, the year saw the development of acute shortages of box cars. Severe winter storms in the Northeast so seriously interfered with railroad operations that not only were services curtailed in the affected areas, but box car supplies were dislocated over much of the country to such an extent that several months elapsed before balance was restored. The movement of the bumper crop of grain to central western markets, already retarded because of shortages of cars, was interrupted, creating a critical situation in the case of corn of high moisture content that had to be moved to drying plants before warm weather.

The shortages of refrigerator cars referred to in our last annual report became increasingly difficult to overcome. Since September 1, 1944, there have been few weeks that did not bring shortages of cars in some areas of the country and, at times, in most of the important sections at once. Semi-perishables, such as beverages and canned goods, have been prohibited from refrigerator cars for extended periods of time. Constant work has been required with the Interstate Commerce Commission, Office of Defense Transportation, the Refrigerator Car Lines Advisory Committee, and the railroads to avert serious losses of food. Efforts to obtain increased transportation capacity through increased loading and speedier handling of cars, including more prompt loading and unloading by shippers, have been intensified. The refrigerator car fleet has continued to diminish, with increasing numbers of cars laid up for heavy repairs. More than anything else, a large number of new cars are needed to augment the depleted number of usable cars. After extensive study, a recommendation has been made to the Office of Defense Transportation that not less than 10,000 additional refrigerator cars be built as soon as possible.

Tank cars have been adequate for the movement of fats and oils, but tank car movements are still watched closely to avoid unnecessary hauls and wasted transportation.

While in the 1943 season of navigation on the Great Lakes a shortage of shipping presented a serious handicap to the movement of adequate supplies of grain to eastern flour and feed mills, in 1944 and so far in 1945 the shipping situation has eased and the problem has been one of getting enough box cars to move the grain to the lakehead and grain and grain products from lower lake ports. Principally because of the Army export program, requirements for water movement of grain are substantially above last year. This condition also brought about congestion in port elevators. To meet this it was necessary to issue a

War Food Order controlling the elevation of grain from lake vessels into waterside elevators at all U. S. ports.

The shortage of box cars, aggravated by the dislocation of car supplies that limited the movement of grain to markets, previously mentioned, brings a new threat. With considerable quantities of last year's grain still on farms and in country elevators, the June 1 forecast points to a wheat crop that is exceeded by only one year - 1931. This Branch is working with the regulatory agencies and the railroads to meet that emergency.

The major development of the year in the transport field is the shift in traffic to the West that followed the end of the European war. Unprecedented traffic to the Pacific area has already interfered with the ability of carriers to move empty refrigerator cars to California and Arizona in sufficient numbers to accommodate the heavy production of fresh fruits and vegetables. Box cars and gondolas made empty in that area have congested freight yards, and lack of motive power and crews to handle the exceptionally heavy business has delayed the return of box cars to grain loading lines of the Middle West. It is believed this will present the most critical transportation problem the country has seen since the beginning of the war, and it will probably continue through the close of the war in the Pacific.

In handling these problems on transportation, the Branch has served as the claimant agency of the War Food Administration before the War Production Board and the Office of Defense Transportation for all transportation of farm and food products. It has also been the representative of the Administration with the Interstate Commerce Commission, the Office of Price Administration, and the Association of American Railroads. It has established a committee consisting of one person from each commodity branch, and has the assistance of that committee in meeting transportation problems and in making recommendations on transportation priorities to the Office of Defense Transportation and the War Production Board for their guidance when it is not possible to move all products. In addition to carrying on its own program, the Transportation Conservation Division of the Branch has served as the staff of the Director of Transportation, preparing such information and rendering such assistance as needed by that Office.

In depicting the highlights of last fiscal year's operation of the Transportation Rates and Services Division we find that its activities have been wide in variety and important in monetary accomplishment.

Rate actions in which it has participated have resulted in annual savings of \$176,958,271 in the cost of transporting farm and food products.

Cumulative savings since the Division's inception in 1939 total approximately \$650,000,000.

Actions taken have benefited every farm product, and farmers and consumers in each State were assisted by an average of 32 separate rate

adjustments. While most of the savings accomplished through the lower freight rates went to the public, several million dollars were saved various Government agencies by actions in which the Branch took the initiative.

The rate actions successfully completed ranged from reductions in rates on particular commodities between specified points, to adjustments that covered the entire country on groups of commodities. They not only embraced charges made by the railroads, but also included truck and boat transportation.

In addition to handling a large number of rate cases, the Branch participated in 15 railroad abandonment cases. Fifty-two proposed abandonments were carefully studied to see whether or not their effect would be harmful to the handling of farm products. Appropriate action was taken preventing the abandonment of seven branch lines totaling 213.62 miles.

The Branch has been successful in retaining rates established to make possible the return of used fruit and vegetable containers from the terminal markets to producing areas.

Another important function of the Division is the enforcement of the 28-Hour Law, which requires the feeding, watering and resting of livestock at intervals while in interstate transportation. An increase in rail traffic usually is followed by a corresponding increase in violations of the Law. Due consideration is being given to the conditions under which the carriers are now operating, but it has been necessary to recommend prosecution in a large number of cases. Irregularities in livestock handling and inadequate facilities, brought to the attention of railroad and stockyard officials, has led to improvements which should reduce shipping losses and result in savings to the producers far in excess of the cost of this project, which, for the year, was \$29,664.

A case of considerable proportions now pending before the Interstate Commerce Commission resulting from a formal complaint filed by the Department of Agriculture - War Food Administration, involves a five dollar per car rental charge for furnishing refrigerator cars for potato loading in Maine. During the year two formal hearings were held and voluminous rate and economic evidence has been entered into the record by representatives of the Branch. A successful termination of this case will save the potato shippers of Maine \$200,000 annually.

A complete investigation by the Interstate Commerce Commission into the entire wool rate structure has been redocketed. The issues in this case will involve the charges for shipping wool from all states, and will affect the net income of sheep men and wool growers nationally, and is one of the largest rate cases in which the Transportation Rates and Services Division has so far participated.

Many special services were arranged to expedite the handling of farm products, to safeguard its quality while in transit, to conserve and to

extend the present marketing customs and practices. Illustrative of these projects may be mentioned a study of air transportation of perishable products, assistance in developing an improved refrigerator car, protective service against cold, loading rules for watermelons, deficit rules for fruits and vegetables, extended transit privileges on cotton, eggs, livestock, peanuts and other commodities. Either directly or indirectly, these activities have been beneficial to farmers in all sections of the nation.

The work of the Warehouse Supervision Division during the year consisted solely of administering the United States Warehouse Act. That means the licensing and supervising of warehousemen in accordance with the terms of the Act and regulations. Generally speaking no more warehousemen were licensed during the year than there were at the beginning of the year. Nevertheless a number of changes in licenses took place for various reasons. Where licenses have been cancelled they have been offset by new licenses. The licensing of wool warehousemen in the wool producing areas of Texas which started the previous year continued quite substantially into this year and there is now sufficient space licensed in the State of Texas to care for the annual Texas clip.

At the close of the year approximately 1,340 warehousemen were licensed and about 3,317 licenses were in effect for persons to sample, weigh, inspect and grade products under the Act. During the year 344 actions were taken affecting warehousemen and 1,197 actions relating to persons serving warehouses.

In the field of supervision as contrasted to licensing, approximately 4,590 examinations were made of warehouses, or an average of three inspections per warehouse during the year. This field of activity represents between 80 and 90 percent of the activity of the Division. Next to judicious selection of licensees in the first instance, proper supervision is the backbone of the Warehouse Act. As a result of constant emphasis on these two phases the experience of patrons of federally licensed warehousemen has been unparalleled.

During the year considerable thought has been given to strengthening both the Act and the regulations and in the coming year certain specific and rather far-reaching proposals to amend the Warehouse Act may be submitted.

This year marks the 29th anniversary of the Warehouse Act, yet after all these years, and notwithstanding the frequently-voiced sentiment that there is too much Government interference in business, warehousemen who have been operating under the law for years are not complaining about too much supervision but they are asking for more frequent checking of their operations. The record of no loss to any depositor of any product in any federally licensed warehouse has been maintained.

During the fiscal year additional responsibilities were assigned the Branch for working with commodity branches and other branches and

division in Office of Marketing Services on economic aspects of program and policy development. The work includes a general review of government activities affecting agricultural marketing and their adequacy for protecting farm prices and incomes, maintaining the consumption and assuring desirable utilization of farm products, and improving their marketing and distribution. These functions were transferred from the Distribution Planning Branch (previously Program Appraisal Branch) of the former Office of Distribution. Part of the personnel of that Branch was transferred to the Office of Marketing Services and put in the Marketing Facilities Branch as a new Marketing Analysis Division.

One phase of the work is the coordination of the participation of the Office of Marketing Services in developing production goals and support prices. The Distribution Planning Branch brought together analyses within the Office of Distribution on the adequacy of marketing facilities for handling agricultural production planned under the goals program. It was likewise responsible for the development of recommendations for support prices and price programs in connection with the goals. It brought together estimates of the anticipated costs of carrying out price-support programs and the funds that would be required for them. The Marketing Analysis Division is continuing to carry central responsibility for the Office of Marketing Services participation in these activities.

The Distribution Planning Branch analyzed the operation of various other current programs and made recommendations for improving them. This work is being intensified in the Marketing Facilities Branch to the extent that personnel is available. Recent and current projects include a study of the status and potentialities of marketing agreements, an analysis of cooperative agreements with the States for the conduct of marketing services, and the development and testing of methods for obtaining more adequate information on the changing costs and charges for the marketing of farm products.

The Distribution Planning Branch also had central responsibility for work in the Office of Distribution on reconversion problems and post-war programs. It made analyses of prospective production, consumption and surpluses at legal support prices during the period of the Steagall Amendment. It looked into the problems of price support and surplus disposal that would result, and participated in the development of a number of proposals for dealing with these problems. Branch proposals have received wide attention and have made a recognized contribution to current thinking on these problems. In this work the Branch represented the Office of Distribution in the Department's Inter-bureau Committee on Postwar Programs. The Office of Marketing Services has inherited the primary responsibility assigned to the Office of Distribution for marketing projects under this committee.

This work likewise is being continued by the Marketing Analysis Division. The estimates of prospective surpluses of major farm products are being brought up to date. Program development work on a proposal for national

food allotments and other measures for maintaining consumption and disposing of surpluses is currently being participated in by the Division. Work of the Inter-bureau Committee is being intensified in cooperation with the Association of Land Grant Colleges and Universities.

In addition, the Distribution Planning Branch performed a number of special service functions and participated in a number of program development activities. Work of this sort is likewise being continued within the limitations of the personnel and facilities available. Various statistical compilations have been prepared relating to particular problems, and also a pocket-size Handbook of Marketing Statistics for convenient ready-reference.

For use at the third Inter-American Conference on Agriculture this summer, this Division has prepared a review of the field of agricultural marketing and government marketing activities and problems, along with a program to be recommended to the Conference for concrete actions to develop and improve the marketing of farm products throughout the hemisphere.

The Division is representing the Office of Marketing Services on a special study group in marketing set up jointly by the Department of Agriculture and the Association of Land Grant Colleges and Universities, and is responsible for the Department's part in this joint attempt to outline a postwar marketing program for agriculture.

These are only examples of the wide range of activities in which the Division is called upon for consultation and participation -- activities important to the development and improvement of government programs relating to the marketing and distribution of farm products.

The biggest and most difficult problems currently confronting agriculture are in this field. The small staff of the Division is making valuable contributions to the solution of a number of these problems. But the present economic analysis program of the Office of Marketing Services is strikingly inadequate for the job that really needs to be done. More adequate facilities must be provided for this work if the Department of Agriculture is to be prepared to deal effectively with the marketing problems it will be called upon to face.

These are some of the highlights of the work undertaken by the Branch during the past fiscal year, but on the pages which follow the individual accomplishments of the various Divisions are discussed in more detail.

MARKET ORGANIZATION AND FACILITIES DIVISION

Under normal conditions the Market Organization and Facilities Division is concerned primarily with the improvement of market organization and market facilities for distribution of foods and secondarily with warehousing. However, since 1943 restrictions on construction have made it almost impossible to improve and build new markets, while at the same time greatly expanded production, wartime accumulation of foods and spasmodic shipment of supplies out of the country due to the war created many warehousing difficulties. In order to meet these problems it became necessary to concentrate on this work and to devote to the market facilities program less attention than it deserved or than its importance warranted.

Although there has been no appreciable change in the availability of construction materials in the past year, progress of the war has greatly stimulated interest in the market facilities program. Many cities and producing areas that were engaged in making plans for providing more efficient markets prior to the war and found it necessary to postpone these developments now are anxious to continue the work so that the plans will be ready and construction may begin just as soon as materials are available. Also, it is generally recognized that with the new level of production achieved during the war, the need of outlets for farm products will be even more acute after the war. In view of this, areas that have never given serious consideration to improvement of market organization, methods, and facilities are eager to study their needs and to take whatever steps necessary to provide facilities which will be adequate for orderly and efficient marketing. If full value of the proposed developments, urgently needed and years overdue, is to be realized immediately after the war, the planning must be done now. In connection with Postwar Public Works planning it was estimated that at least \$100,000,000 in self-liquidating projects are urgently needed and on an annual basis would make savings in distributing perishables of about one-third of this cost. This Division is working with the Council of State Governments in planning legislation which will be needed to charter non-profit corporations for the purpose of building and operating improved facilities. The importance of the work is clearly demonstrated by the fact that a Congressional Committee is now conducting an investigation of agricultural marketing in order that improvements may be made.

Because of the general improvement in the cold storage situation in the central part of the country since January (1945) due to declines in stocks of meats and certain other perishable foods, some decline in priority applications, an increase in staff, and the establishment of regional offices in connection with our cold storage order administration, it has been possible to devote more time to the facility program.

I. MARKET FACILITIES

A. Terminal Markets

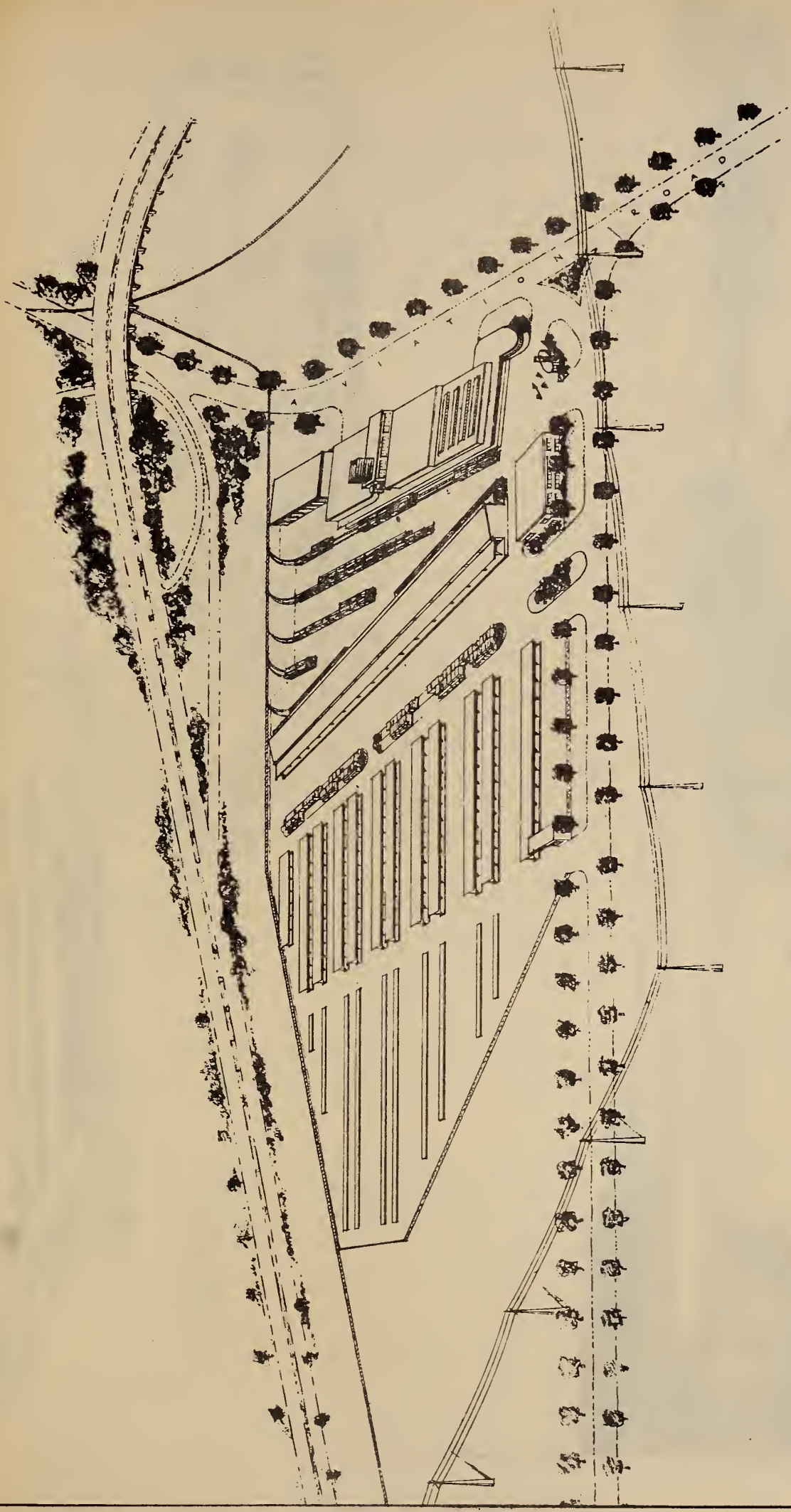
Our work in terminal markets is concerned with improving marketing methods and facilities in terminal areas so as to provide for more efficient distribution of farm products. This program is a part of our general program to improve the physical handling of farm commodities all the way from grower to consumer and thus make possible better outlets, increased returns to farmers and better quality products and lower prices to consumers.

Facilities which are being used in many cities are old and very inadequate. Many of them were designed prior to the motortruck and are entirely unsuited to present conditions. This situation results in actual loss of perishable commodities and in larger marketing costs amounting to millions of dollars annually. Usually this work is handled by cooperating with other agencies such as the state colleges, state departments of agriculture, city officials, extension services, the trade, the growers, civic groups, transportation agencies, or any group manifestly interested in studying local marketing problems with a view to improvement.

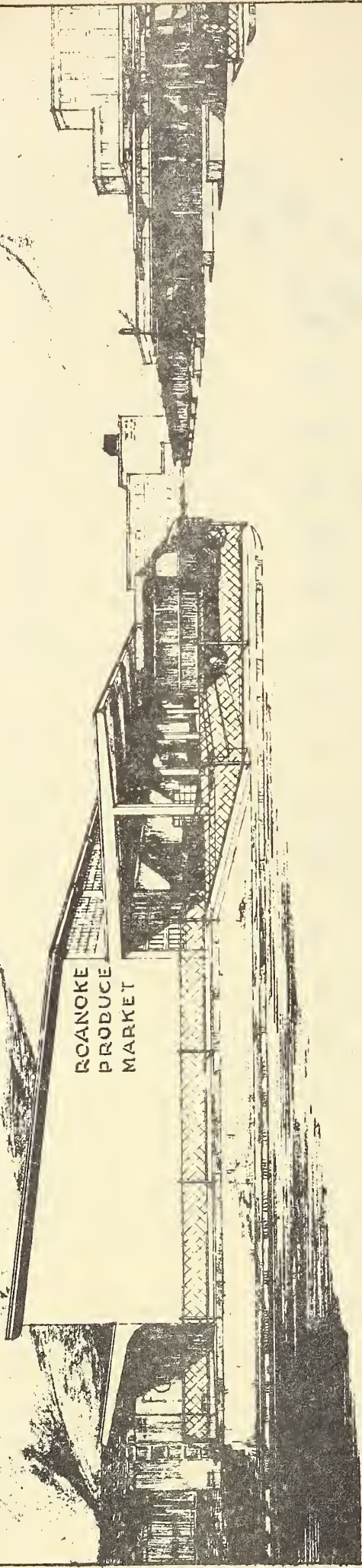
Briefly, our people go into an area at the invitation of local people and work with them in determining the problems and analyzing the needs. As soon as all concerned are in general agreement as to the type of market needed, its location, the best method of operation, etc., the services of our architect are made available for preparing plans. After the market is built, whatever assistance necessary is provided to encourage proper methods of operation.

1. Hartford - This year an effort was made by the University of Connecticut to analyze the market situation in the State, particularly conditions affecting Hartford. At their request, this Division has been cooperating in this study, and a number of trips were made to Hartford by Division members. A site was selected and drawings made showing the present and future possibilities of a regional produce market. Final recommendations have not yet been made, pending the outcome of present negotiations between the City of Hartford, the Regional Marketing Authority, and the New York, New Haven and Hartford Railroad.

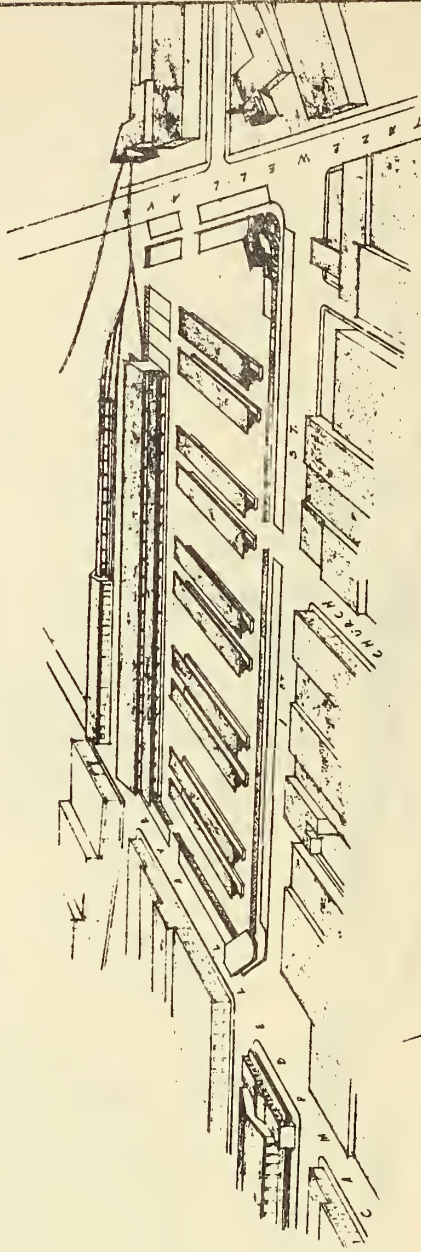
2. Baltimore - Following the work done in the previous year by this Division, in conjunction with the University of Maryland and the Commission appointed by the Governor of Maryland to study market conditions in Baltimore, we continued to assist in giving architectural and engineering advice until they had completed their work the latter part of the year. A final report was prepared by the Commission with the help of the University of Maryland. No recommendation for improvement or for action was made.



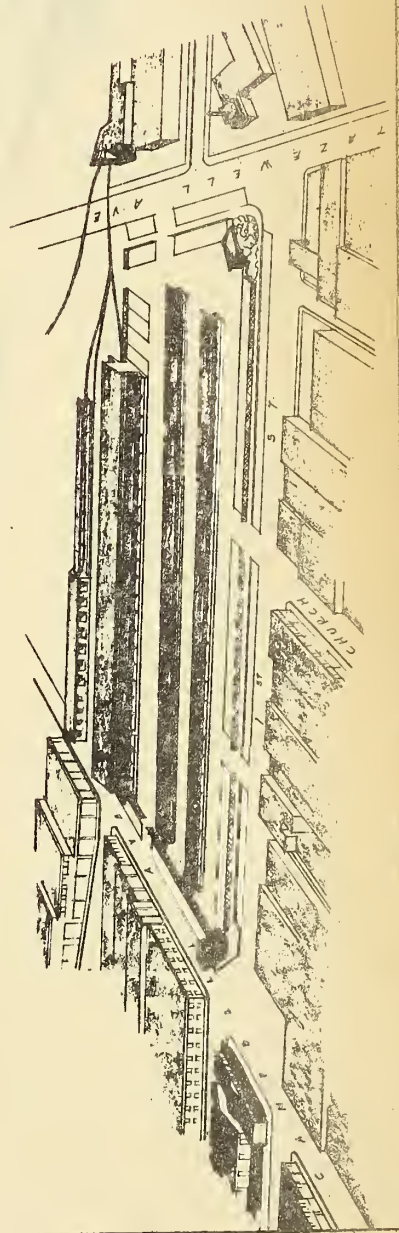
PERSPECTIVE -- SCHEME (A)



SCHEME A



SCHEME B



3. Miami - Representatives of this Division have been assisting the Dade County Growers Association of Miami, Florida, in planning a new terminal market for Miami. It is the desire of the Miami people to have everything in readiness to build a modern market with facilities for both wholesalers and farmers as soon after the war as building materials are available. The site for the market has been purchased by the Association and this Division has conducted a survey to determine the number of stores needed and also to ascertain what facilities are necessary in order to properly accommodate the farmers. Preliminary drawings have been made and submitted to the Association for consideration. A final plan should be ready before the end of the summer.

4. Richmond - This Division has been cooperating with the Chamber of Commerce, the State Director of Markets and interested groups in making a study of the fresh fruit and vegetable marketing system of Richmond with a view to improvement. The study which was made prior to the war has been reviewed, and additional information secured to reflect possible changes. A committee of the Chamber of Commerce has assembled information and prepared a report on possible sites. All of the proposed locations have been considered and our architect has worked out plans indicating what can be done in the way of converting existing buildings to market use on the site which appears to be the most suitable. A meeting already has been scheduled to discuss the drawings with the interested parties. If the groups concerned are in accord regarding this location and the type of facilities, then the local people will be in a position to acquire the property and go forward with the development as soon as final plans and recommendations can be made and materials are available.

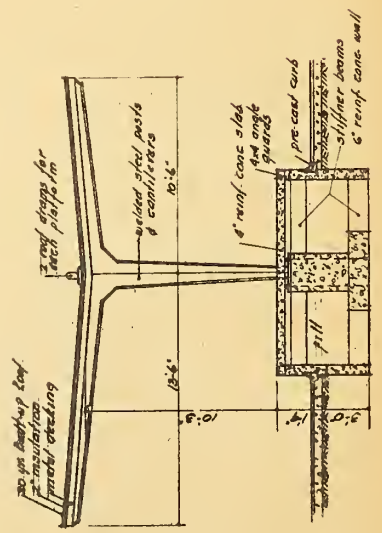
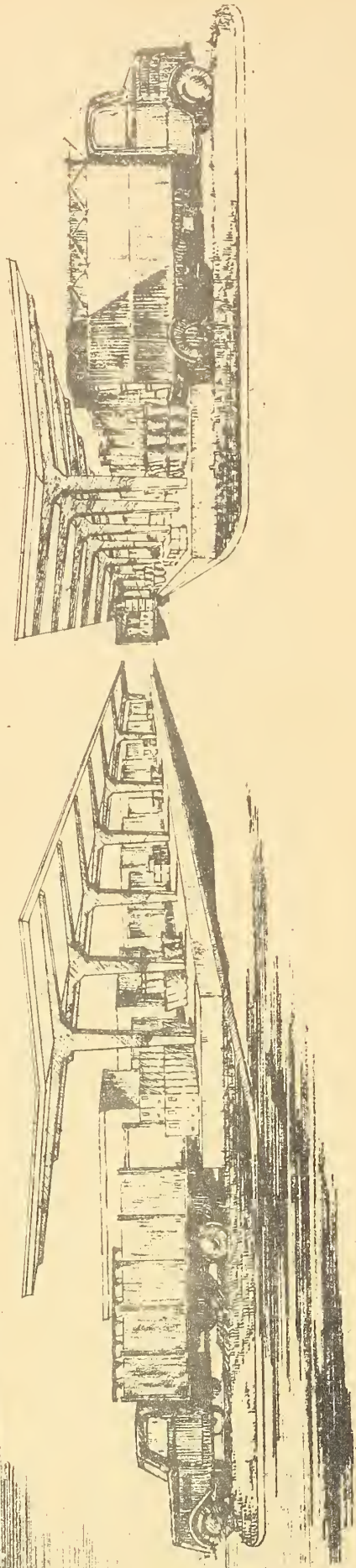
5. Roanoke - This Division has been cooperating with the Chamber of Commerce, the State Director of Markets and others in reviewing and analyzing the study which was made of the Roanoke market prior to the war in order to work out plans for a new market.

Inasmuch as it was determined that conditions have changed very little since the study was made, it was decided to go forward with preparing plans based on the original study supplemented by some additional information.

Since the City now owns a market building in the present market area the title to which depends upon its use, it was decided that plans should be developed indicating the possibilities for improvement in this area. Drawings have been made and our recommendation is being prepared and will be submitted to the local people in a few weeks.

B. Concentration Markets

The development of concentration markets is also a part of the general program for improving the physical handling of farm products from producer to consumer. It is comparable to the terminal markets work except that these facilities are designed for the assembling of commodities in producing areas for shipment.



SECTION
scale 1/2" = 1'-0"

1. Market for Peoria, Illinois - A request for assistance in the planning of a new farmers' market for the Peoria area was made by the Peoria Growers Market, Inc. A survey was made to determine what facilities were needed and suggested plans for the market have been prepared and submitted to the cooperative association. These plans include drawings showing an efficient market layout for the particular site which they purchased and design of buildings considered to be most suitable, together with a statement of estimated costs.

2. State System of Markets for Alabama - The State of Alabama is engaged in planning and establishing a system of concentration markets for fruits and vegetables. This Division cooperated with the Director of Markets, the Extension Service, and local groups in designing the first of several markets in the proposed system. This facility (Oneonta, Alabama) has been completed and others are now under construction.

3. Market for San Antonio, Texas - We have been working with the Chamber of Commerce, the Bureau of Agricultural Economics, the wholesale trade, farm groups, local architects and others in studying the marketing of fresh fruits and vegetables in San Antonio, Texas, with a view to working out plans for a new and modern market. To date the needs have been determined, the location decided upon and the trade and farmers are in general agreement as to the type of facilities needed. The market will include wholesale stores with direct rail connections for the dealers, facilities for interchange truck shipments and sheds for local growers. The local groups are now working out plans for acquiring the land so that costs, rents, etc., may be determined. The present plan is to try to be ready to go forward with the development within the next year.

4. Markets for Louisiana - We were invited to assist the State Market Commission, the Experiment Station, Extension Service and other interested agencies in planning a marketing program for the State. A meeting was held in April for the purpose of discussing what had been done in other places to improve marketing in terminal and producing areas and to consider what type of work that should be undertaken in Louisiana. It was decided that the local people would explore the interest in New Orleans and check on some of the basic data on concentration markets in the State. After this has been done they will decide whether efforts should be directed first toward concentration market development, or to improvement of terminal markets. When this decision has been reached, this Division will assist the local agencies and groups in planning the improvements for a more efficient system.

C. Assistance to the Congressional Committee
Investigating Agricultural Marketing

The Congressional Committee to Investigate Agricultural Marketing is now examining terminal markets in order to determine what improvements are needed and how they should be made. This Division has been cooperating with representatives of the Committee in assembling

information, analyzing data, and preparing reports. A report on the Philadelphia market has been prepared including figures showing source of supply for the City, a description of existing facilities and their methods of operation, a summary of the problems involved in getting the fruits and vegetables through the facilities and estimates of costs of handling through the present marketing set-up, and the extent of items on which savings might be made if more efficient facilities were available. Also, the report pointed out certain difficulties which might be expected in bringing about market improvements.

A similar summary was prepared for New York City, which indicated the importance of New York as an outlet for fruits and vegetables, described present markets in the City, and gave estimates of costs for improvements with possible savings that might be made by handling commodities through a more efficient market.

In addition to these reports, studies have been made of markets in other cities to determine the extent to which the weaknesses of the New York and Philadelphia markets are common to all terminal markets.

D. Postwar Public Works Program.

The National Survey of Fruit and Vegetable Wholesale Facilities, because of personnel restrictions and reorganization, has been terminated even though the study did not accomplish all that was originally planned. It was impossible to obtain complete information on the facilities in all areas because this Division did not have field personnel to do the work and it was necessary to rely on voluntary cooperative assistance from other branches whose people could give only a limited amount of time to the assignment. In spite of this, the material has proved to be very helpful in preparing estimates in connection with postwar planning of market facilities.

A postwar facilities program similar to the one for fruit and vegetable marketing has been planned for poultry and egg marketing facilities. This Division requested assistance from the Departmental Egg and Poultry Committee in preparing the questionnaire forms and in conducting the field work for the survey.

It was decided that in view of the experience on the fruit and vegetable study this project should be held in abeyance until such time as funds and personnel could be made available to go forward with the work.

This planning of market facilities is a necessary prerequisite of a public works program and is designed to take advantage of such a program after the war. However, if public works projects do not develop only one method of financing markets will be lost, and certainly the value of the program will not be nullified. The program is providing basic information necessary for planning modern, efficient, and adequate facilities for the country, which will be followed by our own action program. At the same time this activity is bringing to the

attention of local and state planning groups and other people interested in agricultural products and marketing the urgent need for improved marketing methods and facilities throughout the country.

II. WAREHOUSING

The warehousing work of this Division consists primarily of planning and instituting storage programs which will insure storage accommodations for the country's supply of food. The Division serves as a point of contact and as a connecting link between the commodity branches, procurement agencies, and civilian owners on the one hand; and the warehousing industry on the other. The planning takes the form of long-range programs and emergency measures.

During the past year adequacy of dry storage has made it unnecessary for us to devote very much time to that phase of our work. Some grain was stored on the ground largely as a result of transportation difficulties, and consequently this problem was handled by the transportation people.

Abnormally large crops of oil-bearing products, grain, potatoes, etc., in some previous years have made it necessary for us to take steps to provide emergency facilities or otherwise assist in getting the products into storage. As a rule, commodities that can be kept in common storage are not as exacting in storage requirements as the more perishable items which require refrigeration to prevent immediate spoilage. Therefore, many types of existing buildings can be converted to dry storage use without too much difficulty and with very limited quantities of critical materials. Again this year cold storage has received most of our attention.

Prior to the summer of 1943, the warehousing program was relatively small, but for the past two years with rapid increases in production of perishable foods, together with interruptions in the orderly movement of wartime supplies out of the country due to fluctuations in shipping, storage has been an extremely vital part of our War Food Program.

Before the summer of 1943 we experienced emergencies of short duration, but by a reasonable amount of planning and through instituting programs which would put owners who were unable to find space in contact with warehousemen who had available space, the tight situations were alleviated without too much difficulty.

However, by July 1943, due to light liftings large stocks of Russian types of meats were accumulated in the storage facilities of the country. The armed forces were assembling rather large inventories. The War Food Price Support Program resulted in the storage of substantial quantities of early Irish potatoes. The Federal Surplus Commodities Corporation was assembling large quantities of perishables for Lend-Lease shipment. These accumulations of perishables at a time when there is normally a large seasonal into-storage movement resulted in taxing the country's facilities.

For the next 18 months many storage difficulties arose. However, declines in food stocks have resulted in a much easier situation during the second half of the year in the central part of the country, but have afforded little relief for many coastal points. Consequently, the numerous programs which were instituted last year were continued and broadened through the first half of this fiscal year and adjusted to meet changed conditions in the latter half.

A. Expansion of Cold Storage Facilities
To Meet Wartime Requirements

Responsibility for expansion of cold storage space prior to 1943 was assigned to the War Production Board. Since that time, when the War Food Administration became responsible for making recommendations to the War Production Board, priority applications for expansions, conversions and equipment have been referred to this Division for recommendation, and have consistently been approved in greater quantity than the ability of refrigeration machinery manufacturers to deliver equipment.

Cold storage expansion has competed directly with refrigeration equipment demands for various Army uses, the Navy and Maritime ship-building programs, equipment for quick freezing to replace the shortage of tin plate for canning, equipment to relieve ice shortages due to dislocation of population, hot summers, heavy movement of perishables, etc., and equipment for additional meat-processing facilities as well as other vital programs. Even with the support of the Army, Navy, Office of Defense Transportation and other agencies deliveries of equipment are still months behind approvals.

From July 1, 1943 to January 1, 1945 the War Food Administration made recommendations on 177 cold storage applications for conversion and expansion of facilities of which 125 were recommended for approval. While most of the expansions have been financed with private capital, the Army, Lend Lease and War Food Administration sponsored three plants at San Francisco, Seattle, and Auburn, Washington and they were built by the Army for the use of the Army and the War Food Administration. The War Food Administration, through Defense Plant Corporation, built a large plant at Nashville, Tennessee and converted one to cold storage use at Portland, Oregon. All of these Government-sponsored plants have been brought into operation during the fiscal year. To encourage the location of facilities in critical areas some financial assistance through tax amortization was given on eight cases in 1944.

The total wartime expansion including that for the first half of 1945 amounts to 37 million cubic feet, not including space provided by the armed services for their own use or the cave of five million cubic feet in Atchison, Kansas.

In the past year 36 projects have been approved for a total of about 10 million cubic feet of cold storage space. Twenty-two of these have

been completed and upratings as high as directives have been obtained in order to overcome delays in delivery of equipment so that the others might be in operation by the peak occupancy period in the area where the particular plant is located.

The refrigerated storage situation on the Pacific Coast remained acute throughout the year, with conditions becoming so critical at peak canning seasons that, even with emergency use of temporary facilities and in some cases refrigerated cars, food was lost because of lack of storage space. This was particularly true of California, where space was extremely tight because of extensive use of all facilities for Army and Navy owned commodities. In order to alleviate this situation discussions were held with representatives of the canning and cold storage industries, with the Army, and the Office of Defense Transportation, in an effort to work out some scheme whereby the various needs could be met most efficiently. A survey was made of space that in normal times would be used part time only, but which could--by conversion or addition--be used during the emergency. Because of the scarcity of refrigeration equipment it was of highest importance that each recommended project be of greatest benefit to both civilian and Government agencies. Four major storage projects will be completed in time to meet the demands of the current canning season. Of these, only two projects required new equipment. One medium-sized project was approved for the Los Angeles area to be completed in the fall. In all construction critical materials and equipment have been held to a minimum. An important factor which affects the Pacific Coast storage situation, and which, it is felt, will become increasingly important with the stepped-up activity in the Pacific theatre of war, is the rail transportation problem. For this reason an effort has been made to expand facilities outside the great port areas.

We have solicited the support of the armed services, Office of Defense Transportation, Office of Price Administration, Department of Interior and others to get materials allocated to our program, and within the material allotments everything possible has been done to make the most efficient use of the equipment and every effort has been made to locate the facilities where they will do the most good.

Representatives of this Division have appeared before the Facility Review Committee of the War Production Board on many occasions, along with representatives of the Office of Materials and Facilities to justify and urge favorable consideration on expansions in critical areas.

Regardless of the effort put forth to bring about expansion, it should be pointed out that during 1944, the year of highest occupancy, refrigerated space was not used to full capacity. On July 15, when warehousemen reported the smallest amount of unoccupied space, their reports to the War Food Administration indicated that there was space for 14,500 cars in the country. With seasonal variations and decline in food inventories, the maximum for the year was as high as 26,200 cars. This, of course, was due to lack of labor to make full use of

existing facilities, the available space was located in one part of the country and the products needing storage were in another part, condition of the plants, danger of mixing certain products because of odors, etc.

Since cold storage is only one way of protecting perishable foods from spoiling, the amount of space required is determined to a considerable extent by the processing methods. Many countries have little or no refrigerated space in which case their foods must be handled in some other way. Materials have not been available with which to build all of the space in every section for the convenience of people who prefer to handle their products in this manner.

B. Programs to Take Care of the Country's Supply of Perishable Foods

Since it was impossible to expand cold storage facilities enough to meet increased requirements because of shortages of materials and equipment, it was found that the equivalent of additional space could be provided through more efficient use of existing facilities. A number of programs were instituted for this purpose, and these programs actually contributed more toward taking care of the country's supply of perishable foods than the new space which could be provided. Food production was 32 percent greater in 1943 and 37 percent greater in 1944 than in prewar years. However, in 1944 when we had an increase in production of 37 percent above prewar years the refrigerated facilities of the country had in storage on June 1 twice as much as they stored on June 1 in prewar years. Based on prewar efficiency this is equivalent to a 100 percent expansion in space and it was accomplished by the building of less than 50 million cubic feet of space, which was the amount completed by that time. Moreover, a careful survey made by the industry during this peak occupancy period indicated that at least 10 percent more products could have been stored in the country's facilities if the labor had been available with which to handle the commodities in the warehouses.

1. Refrigerated Warehousing Industry Advisory Committee - In 1943, when it appeared that there would be many difficult problems in handling the storage of wartime food supplies a Refrigerated Warehousing Industry Advisory Committee was selected to work with the War Food Administration in studying the problems, recommending solutions and providing a point of contact between the War Food Administration and the industry in the respective regions. This Committee was made up of nine active warehousemen selected so that each region in the country would be represented. In order to be sure that the Committee would be typical of the industry, its members included representatives of large and small companies, both public and private, as well as meat-packing establishments.

When critical situations have arisen War Food Administration representatives have met with the Committee to determine what steps should be

taken. After plans were agreed upon, members of the Committee returned to their respective regions to assist in carrying out the programs instituted.

2. Inter-Agency Cold Storage Committee - In the winter of 1943-44 when the heavy run of pork and decline in shipments of perishables abroad created a tight freezer situation, the various Government agencies interested in cold storage were faced with a common problem. It became apparent that more could be achieved if their efforts were coordinated. Consequently, an informal committee was created known as the Inter-Agency Cold Storage Committee. The Committee is made up of representatives from the following agencies: War Department, Navy Department, War Food Administration, War Production Board, Office of Defense Transportation, Office of Price Administration, and Department of Interior. This Committee has served as a clearing house on cold storage information, as a policy-formulating group for handling common problems, and as an advisory group to the respective action agencies when their individual cold storage programs affected other agencies or the over-all cold storage picture.

3. Conversion Program - In general, shortages of storage space have occurred in either freezer space or cooler space, but not in both types of space at the same time. With a few exceptions unoccupied freezer space is useless when the products to be stored require cooler temperatures (above freezing), and unoccupied cooler space is of little value if the products requiring space need freezer temperatures. Since cold storage space which can be operated at cooler or freezer temperatures is equivalent to additional space, unless both types are filled to capacity, much of the new space which has been built during the war was constructed to be operated at either range. In order to add flexibility to the use of existing facilities and to expand the amount of effective cooler or freezer space available at any one time a program of conversion has resulted in the conversion of between six and seven million cubic feet of space which has been reported and an estimated five million more that was never brought to the attention of Government agencies.

4. Meat-Freezing Program - As much freezer storage space was being wastefully used for sharp freezing of meat for overseas shipment, it was clearly indicated early in 1944 that there was urgent need for additional sharp-freezing facilities to relieve this situation. Interested agencies therefore developed a program for the construction of "freezing tunnels" at meat-packing plants and in certain cold storage warehouses located in areas of heavy meat production. The installation of a daily capacity for freezing 425,000 pounds of meat was authorized during the summer of 1944. Due to difficulties in obtaining refrigeration equipment these facilities did not commence to come into use until the winter of 1944 and the full capacity is not yet in operation. With the sharp decrease in meat production this has been more than adequate to meet all demands during this period.

5. Use of Emergency Facilities for Food Storage - Traditionally the cold storage industry has been over built, and consequently in normal times has suffered from low occupancy. In view of this excess capacity, together with the critical shortage of materials and the very definite limits on the amount of new space that could be provided by building, vigorous efforts have been made to bring into use all types of emergency facilities that could be used for storage of foods which ordinarily are not used for that purpose. Many ice companies had ice storages which had been abandoned or which were being used only part of the year. We have worked with the Ice Association, the individual companies and the warehousemen to get these facilities into operation in the areas of acute need for space. Many of the breweries, packing houses, ice cream manufacturers and canning plants had refrigerated rooms not in use. One hundred ninety-six ice houses and canning plants made available almost 17 million cubic feet of storage for food.

6. Use of Off-Season Facilities to Supplement Commercial Space - Since agricultural production is seasonal, throughout the country there are hundreds of cold storage houses used for the storing of one or a few crops and they are in use for only a part of the year. The War Food Administration has worked with the storage people, with the owners of such facilities, and with the commercial storers to bring about full utilization of these facilities during their off season. On July 1, 1944, 37 percent of the apple house space which is usually out of operation during the summer months was being utilized to store some 300 million pounds of commodities, mainly lard and eggs.

7. Removal of Restrictions which Prevented Use of Certain Refrigerated Facilities - Throughout the war one of the most acute areas for storage has been the Pacific Coast States. In the State of California many cold storage plants are owned by cooperative associations and used entirely for their own operations. These facilities were not being fully utilized because if they were used for commercial storage the income tax status of the cooperative would be jeopardized. In order to meet this situation an understanding was reached with the Bureau of Internal Revenue whereby the unused plants, upon request of the War Food Administration, would be allowed to accept commercial storage for limited periods during the emergency without changing their taxable status. As acute situations developed letters went forth to the owners of such facilities requesting that they accept commercial storage.

8. Speeding Up Processing to Increase Turnover of Warehouse Stocks - During the production season many perishable commodities are placed in refrigerated facilities for processing throughout the year. Such processing frequently changes the nature of the commodity so that it does not then require refrigeration. We repeatedly have gone to processors who were holding large stocks of raw materials in refrigerated space and urged them to speed up their operations so as to relieve the space. This program has proved to be extremely helpful during

emergencies. Also some of the provisions of our food storage orders were designed to expedite the processing of perishables.

9. Steps Taken to Get Labor for Cold Storage Plants - One of the most critical problems that has faced the cold storage industry for the past two years has been the shortage of available manpower. There has been an outstanding response to the call for greater food production, resulting in substantially increased supplies requiring refrigerated storage. Wide variations in the flow of shipping under war conditions, together with constantly mounting overseas demands have materially increased the stocks necessary to assure adequate supplies. All of these variables have resulted in placing a load upon the warehouses in excess of available manpower. The warehouse operators have indicated over and over that with adequate manpower much more efficient use could be made of freezer and cooler space and that a substantially greater tonnage of food could be stored. In the handling of rapid wartime turnover of warehouse stocks much vacant space develops that can be made available only by repiling. Sufficient labor has not been available to condense remaining lots. Therefore, space that could be so created has remained unused. It was estimated from information developed in a nation-wide survey in 1944 that 2,500 laborers were urgently needed.

Efforts have been made to get prisoners of war, members of the armed services and other types of labor into the warehouses during emergencies. Ratings given the industry in the various areas have been followed closely and we have worked toward getting higher ratings when the rating given failed to produce the men. The draft plus higher wages and more favorable working conditions in war plants has made it increasingly difficult to obtain labor for work in freezing temperatures of cold storage houses.

The high point on labor for the past year was reached when this Division and the Office of Labor presented the needs to the War Production Board and stressed the urgency of having labor to handle the peak movement of commodities during this summer and fall. As a result on May 19 commercial cold storage facilities were placed on the War Production Board National Production Urgency List. This, of course, means that cold storage operators are entitled to high urgency ratings. To secure such ratings cold storage operators contact the District Manager of the War Production Board in order that the matter may be before the Production Urgency Committee. In referring workers the War Manpower Commission is guided by the urgency ratings which have been assigned by the local Production Urgency Committee.

10. Refrigerated Space Clearing House - Information on the occupancy of refrigerated facilities has been collected twice a month and has been used to put people who have commodities to store and who are unable to find space in contact with warehouses that have unoccupied space. A tabulation is run showing available space in terms of carlots in coolers and freezers by region, state and warehouse. This information is sent to the people who handle the storage of commodities

owned by the War Food Administration and the Army and is made available to others who are interested in storage. People who have commodities to store and are unable to locate space in the immediate area have been told where space could be found. Through such clearing it has been possible to make more efficient use of all available facilities.

Early in June 1944 when it became apparent that a heavy crop of apples could be expected a study of the possible space situation was made during June and July and a report on the estimated storage needs and the adequacy of existing facilities to meet these needs was issued in August and followed by a September supplement. It analyzed the situation by regions and by states and indicated the locations at which trouble could be expected and those where space would be available.

Partly through an extension of the clearing house system and partly through acquainting people with the situation beforehand, the largest combined apple and pear cold storage load on record was cared for with very few problems. Special lists of warehouses which could accommodate additional apples were made along with the quantities they could take. These were sent to the extension offices, industry representatives, regional and area officers of the War Food Administration in the tight storage sections of the country. The Extension Service cooperated with the Division in carrying out the program.

11. Cold Storage Report - For years the Department has been collecting, compiling, and disseminating information on the monthly inventory of perishable food commodities held in the cold storage warehouses and meat packing plants. High wartime occupancy of refrigerated facilities emphasized more than ever the real value of the Cold Storage Report. During the year there were almost 200 additions to our mailing list. These requests came from all phases of the food industry, many national and state offices concerned with supply and storage of food and from officials of foreign governments. The report is used extensively by warehousemen, processors, dealers, bankers, research and statistical institutions and various Government agencies, such as the Office of Price Administration for price fixing and rationing, the War Production Board in the allocation of supplies for expansion of the industry, the Office of Defense Transportation to formulate an orderly and efficient use of refrigerator cars, the armed services in locating refrigerated space and food supplies, the War Food Administration in determining the utilization of products and for locating space, Lend Lease and others.

During the year a number of changes have been made in the report which improve its quality and add materially to its usefulness. The report dates back to 1915, at which time it covered only a few commodities. From time to time additional commodities have been added. Nevertheless, the information collected never gave a complete picture of the cold storage situation. By a revision of the questionnaire this year a 50 percent increase in commodity coverage was effected without

adding to the work load placed on the warehousemen. This was achieved through eliminating four of five columns in the questionnaire that were used primarily for verifying accuracy and developing other means of checking doubtful figures. Correspondence indicates that the new method has resulted in excellent relationships between the Division and the cold storage industry and at the same time has greatly improved the report.

Also during the year we have followed up delays in reporting in order to get more complete coverage and to reduce the expense of requesting last-minute reports by wire. As a result it has been possible to eliminate completely the follow-up wires, thus saving the expense of 200 to 300 telegrams per month.

The appearance of the Cold Storage Report was greatly improved through a change in design of the cover page. Data for commodity holdings which were not released to the public in the past are now published. An analytical table with a summary of first of the month holdings and changes during the previous month and a bar chart representing commodity weights were added. Occupancy in key warehousing metropolitan centers was computed and introduced into the report, and a page showing cold storage holdings of fish was incorporated. Formerly information on fish was published only by Fish and Wildlife Section of the Department of Interior on the twenty-fifth of the month.

A table showing the commodity holdings of all Government agencies that are included in the overall stocks was added to the report. This table was perhaps the most important single addition. Previously figures on storage stocks of the War Food Administration and the Dairy Products Marketing Association had been obtained from these agencies. However, the presence of large military holdings still in the overall totals prevented the industry and the Government agencies from being able to estimate the civilian supply. A questionnaire was devised whereby the warehouseman could indicate Government-owned commodities at the time he reported total stocks. Figures are gathered on all Government holdings except those in warehouses owned or leased and operated by the armed services. Military secrecy prevents the publication of information on certain items at this time.

The information on cold storage holdings and space is now relatively complete and the presentation of the data is undergoing refinement and improvement from month to month within a rather permanent pattern. This information provides a source from which analytical studies are made, studies that make possible an orderly and efficient handling of the storage of perishable commodities by industry, Government agencies, the armed services and other interested parties.

In addition to the Cold Storage Report the Division has collected and compiled information on oleomargarine production and has cooperated with the Fish and Wildlife Service of the Department of Interior in compiling a report on monthly holdings and freezings of fish. This cooperation, while it had been functioning for a number of years, was

made closer during 1944-45. Areas in which there had been a duplication of effort were eliminated and more efficient results were effected.

The Survey of Refrigerated Warehouse Space, made during October 1943, was published December 1944. Important changes were made in the mechanical set-up of the publication with a view to making the pamphlet more usable. Numerous graphic representations were included. The requests for this publication are very extensive and the five thousand copies are being used up rapidly.

Early in 1945, attention was turned to the probable needs for egg storage space for the 1945 season. A study of the production prospects and their requirements upon available storage space was made, in order to be sure that steps were taken to provide space for the eggs. Partly as a result of this study the Division saw early in February that the egg storage problem of 1944 would not and could not be repeated in 1945. This pertinent information was made available to the men in charge of storage programs and through them to warehousemen concerned.

Several times during the fiscal year the unit was called upon by various organizations to make special studies and predictions of future cold storage needs. The most important of these studies this year was made in November 1944 and was an attempt to estimate 1945 needs. The findings and data of this study were turned over to the Distribution Planning Branch for refinement and publication. A series of charts showing the percentage of occupancy in warehouses from pre-war years to the present, the available carlot space over a two-year period, and others showing the commodity storage movements were developed. The demand for these charts has been great and they have been reproduced a number of times.

12. War Food Order 111 Regulating the Use of Refrigerated Facilities -
Although the voluntary programs were of invaluable assistance in meeting the cold storage emergencies which had arisen, it was necessary to supplement these programs by restrictions on the use of facilities in the summer of 1943. War Food Order 70, requiring the removal from cold storage of nine commodities which could be held in common storage, was issued. At the time it was estimated that these products occupied approximately 13 percent of the total cooler space (above freezing) in the country. This action not only made possible the receipt of more new commodities into the coolers, but also enabled certain items which could be held at cooler temperatures to be shifted from freezer space. Some products which are normally carried at cooler temperatures had been forced into freezer space and thus freezer space was becoming congested.

War Food Order 70 further provided that space was not to be reserved in excess of 72 hours. This provision was considered necessary because many concerns, in order to insure adequate space for their own commodities, were making a practice of reserving space far in advance

of the time when the products were to be delivered, and often in excess of actual requirements. Such a practice caused much space to remain idle when it could have been in use and thus decreased the efficiency of use of the facilities.

In December 1943, after freezer space occupancy had been around 90 percent for three months or about 10 percent higher than normal for that time of year and with a heavy hog run indicated, it appeared imperative that regulations should be placed on the use of freezer space. Consequently, War Food Order 90 was issued excluding lard and cooler meats which could be protected at cooler temperatures from freezer space and limiting to 10 days the length of time certain offal items could remain in storage except by permit of the Director. After a 10-day freezing period these items were to move into processing or distribution channels if the space was urgently needed for other products. It was estimated that between December 24, 1943, the effective date of the order, and January 31, 1944 about 1700 cars of space was made available throughout the United States as a result of the order.

By the spring of 1944 wartime psychology had changed the function of storage from merely carrying commodities from peak production periods around to periods of scarcity to the holding of commodities through the next peak season for possible price increases or the fear that at some future date there would be none of the product. Therefore, in order to restrict the holding of commodities to a normal period and to relieve the warehouses of unnecessary congestion a storage limit of 10 months was placed on all perishables stored in refrigerated space if the space was needed for current stocks. Nuts in the shell were added to the order as a restricted commodity, not because it was felt that they did not need cold storage space, but in order to regulate the areas in which the product could be stored. This was done so that owners would retain their inventories in the producing area rather than move them into congested points like Los Angeles, St. Louis, and Chicago.

In August 1944 with freezer occupancy very high and with many processors planning to freeze fruits and vegetables which were commonly processed in some other way, further steps to insure availability of refrigerated space to handle products necessary to the war program were necessary. Therefore, War Food Orders 70 and 90 were revised and combined into War Food Order 111. In addition to the original provisions of this order a limit was placed on the total quantity of fruits and vegetables that might be stored in any warehouse. This was done in order to prevent cold storage facilities in areas where frozen food processors wanted to expand production or where they wanted to freeze products which would contribute little to the war effort from becoming filled with excessive quantities of these products and thus block the use of the facilities for handling war supplies. The order also prohibited the storage of lots of less than 300 pounds in freezer space of commercial houses. This step was taken because the storage of small lots is extremely wasteful in using refrigerated space because

each small lot to be accessible must be piled separately. This provision curbed this practice by inducing the owners of small lots to store them in their own private refrigerators or in frozen food lockers designed and operated for handling small lots, or to combine the lots so that more efficient use could be made of the space.

13. Suspension of Three Provisions of War Food Order 111 for 90 Days in 25 States - During the winter and spring of 1944-45 with the decline in meat inventories and with egg holdings well below those of 1944, the general cold storage situation improved materially in the central part of the country. However, facilities in many of the ports are filled almost to capacity and even higher occupancy is expected in some cities with the shift of the war theater to the Pacific plus the normal seasonal production in the local areas.

An effort has been made to adjust the administration of our storage orders to the changed conditions where space is relatively abundant in some areas and very tight in others. After studying the problem, discussing it with representatives of the armed services, the Refrigerated Warehousing Industry Advisory Committee, and the Inter-Agency Cold Storage Committee it was decided that in line with our policy of not having restrictions unless they are absolutely necessary three provisions of the order should be suspended for 90 days (June 30-September 30) in areas where it was felt that these restrictions could be lifted without detriment to the war effort and the food program. A provision was placed in the order which made it possible to reduce the period to 60 days if such action should become necessary provided notice is given prior to August 15, 1945.

It was considered necessary to retain the regulations in most of the coastal states and a few states and key cities which are being used to back up the ports so as to prevent undue congestion in these areas and to facilitate the orderly movement of foods overseas.

This suspension makes it possible for warehousemen to accept for storage during the hot months cereals, beer, canned condensed milk, canned fish, canned fruits and vegetables, canned cheese, Carter's spread, dried skim milk, dried whole milk, evaporated milk, nuts in the shell, sterile canned meats, packing house products which have been limited to 10 days, and frozen fruits and vegetables which have been restricted under a ceiling. All other provisions of the order remain unchanged in these states and no part of the order is suspended in the other states.

14. Establishment of Field Offices in New York and Chicago - In spite of the fact that a centralized control over the administration of our cold storage orders appeared imperative, the large concentration of facilities in New York and Chicago led us to feel that some decentralization with close ties between Washington and these points would facilitate the handling of permit applications and thus improve the service to the industry and the effectiveness of the order. Consequently, offices were opened in New York and Chicago. Originally the

New York Office handled only the New York Bay Area. Later the territory was expanded to include the six New England States. Similarly, the Chicago Office at first served only the metropolitan area and later its work was expanded to include the States of Illinois, Indiana, and Wisconsin. It is felt that the establishment of these offices has materially improved the efficiency of the administration of the order and the overall storage program.

15. Priorities for Cold Storage - Applications for all expansion or replacement of facilities for commercial public cold storage are received by this Division, which has the responsibility of preparing recommendations for the approval or disapproval of priority assistance. Each application is carefully analyzed from the standpoint of the necessity for the facility or equipment, its relation to the war effort, and the possibility of substitution of other facilities or materials of a less critical nature.

16. Priorities for Ice Manufacturing Facilities - In 1944, as in 1943, though not to the same extent, there was a definite shortage of ice, especially in the southern states. Similar factors were involved, namely increased demands for military needs in sections where existing ice manufacturing facilities were inadequate and increased production and transportation of perishable foods in cars requiring icing. Again, as in the previous year, the industry was expanded in both manufacturing and storage capacity, although not to the same extent. Despite these efforts, and the work of this Division and the War Production Board to expedite delivery of equipment, ice production was not sufficient to meet the demands in some areas. The total amount of expansion of the ice industry is not known since the decentralization of priorities to the War Production Board field offices took place in September.

17. Necessity Certificates - On October 5, 1943, by Executive Order, the procedure under Section 124 of the Internal Revenue Code for the handling of applications for Certificates of Necessity was amended. Somewhat later the War Production Board was made responsible for the issuance of such certificates, and it became a responsibility of this Division to prepare recommendations for cold storage and ice applications.

It has been necessary to study the industry very carefully in order to determine whether or not the necessary expansion could be brought about in critical areas without some assistance through tax amortization. In order to reach a consistent policy under which all applicants would be treated alike in conformity with War Production Board regulations, it became necessary for this Division to make studies on the rise in construction costs due to wartime conditions in an effort to arrive at a percentage basis applicable to each project. Criteria were prepared by which each project could be judged and placed in the category to which it belonged.

III. PRODUCTION GOALS PROGRAM

Because of the extremely heavy production of various commodities required under the war program, during the past two years many of the facilities for handling these foods have been used to capacity. In view of this it was necessary in planning the production of any commodity to give more consideration to the adequacy of facilities for handling it.

Members of the Market Organization and Facilities Division have served on the Production Goals Committees set up within the Office of Distribution for the purpose of giving attention to food goals from the standpoint of marketing and distribution problems. This arrangement made it possible to determine and to take into consideration in planning production the capacity of facilities for handling the commodities.

IV. OUTLOOK ON CONTINUING PROJECTS

A. Cold Storage

The unpredictable factors which affect the cold storage situation may well be the difference between a relatively easy storage situation and over-flowing occupancies. However, at this time it appears based on present estimates of production and assuming an orderly overseas shipping program that the cold storage outlook is more favorable than it has been in the past two years. However, there will be continued seasonal and regional emergencies, particularly in port areas and cities where backlogs are assembled for overseas shipment. It is believed that it will be necessary to continue our warehousing program at about the present level for at least another year.

B. Market Facilities

The time is right to go forward with the marketing facilities work. Since we have reached the planning stage in several places, we are hopeful that restrictions on building materials will be eased to the point that some of these projects can go into construction before the end of the next fiscal year. As far as the program is concerned, a few well-located, modern markets where people could see fruits and vegetables being distributed in an efficient and orderly manner would be of great assistance to people who want to examine their methods of marketing with a view to improving them.

In view of the fact that we are months behind in giving assistance where it is requested, it would appear that the chief limitations on the program for the next 12 months are personnel and funds.

C. Priorities

As for the priorities part of our program, it is expected that this work will decline from now until the end of the war. From the present trend indications are that the program will be of little significance by the end of the fiscal year.

TRANSPORTATION CONSERVATION AND INVESTIGATION DIVISION

The high levels of traffic movement of food and agricultural products experienced in the previous fiscal year have continued through this. The tonnage of products of agriculture originated by Class I Railways of the United States in 1944 was slightly above 1943, while carloads of all freight, including agricultural products, declined fractionally.

This load has been handled with increasing difficulties because of manpower shortages and depletion of equipment. Further, early in 1945 a major crisis was brought about by operating difficulties on eastern railroads due to unprecedentedly heavy snowfall and recurring storms during the winter months.

Studies made by the Division indicate that motor truck capacity declined in 1944-1945. This condition has prevented the diversion of traffic from rail to truck lines in times of stress.

The fact is that transportation facilities are being used to their maximum capacity, with virtually no cushion to absorb unusual loads or to meet unfavorable conditions or events.

The function of the Transportation Conservation and Investigation Division is to estimate requirements for the movement of food and agricultural products, anticipate trouble spots and to work out, in cooperation with other agencies and branches of the War Food Administration and other governmental agencies, the means to meet and overcome these problems. We have also met with members of the Industry Advisory Committees of the War Food Administration, informing them of transportation conditions and impending difficulties, and sought their advice and cooperation in conserving transportation and making the best use of the transportation facilities available.

The movement of grain, particularly by vessel on the Great Lakes, has required the employment of many expedients, as has the movement of fresh fruits, vegetables, and other perishables when shortages of refrigerator cars threatened losses of food.

Finally, while the policy of the Division has been to endeavor to foresee and avert transportation emergencies, in recognition of the possibility that conditions might arise that would make it physically impossible to meet all requirements, work has been devoted to the preparation and maintenance of priority lists of commodities and services to assure the movement of essential foods.

For instance, early in 1943 priorities prepared by the Division, in cooperation with the Division of Stockpiling and Transportation of the War Production Board, were employed in the rationing and distribution of gasoline for motor truck use. In the past year this

priority list was extended and perfected for the distribution of heavy duty truck tires and is used by the Office of Price Administration for that purpose.

Surveys have been made of transportation facilities and equipment and recommendations made to other agencies for the construction of such new equipment as was required.

Throughout the year the Division has worked with the Director of Transportation of the War Food Administration in carrying out the functions described in this report.

A detailed account of the major activities of the Division follows:

I. CONSERVATION AND THE DEVELOPMENT OF PROGRAMS TO MEET EMERGENCY SITUATIONS

A. Refrigerator Cars

The past year has seen a record production of perishable products, particularly fresh fruits and vegetables, in the United States. Before the war, a large portion of the tonnage of fresh fruits and vegetables moved by truck, but limited supplies of gasoline, and shortages of tires, replacement parts, and manpower have diverted a substantial part of this tonnage to the railroads. Railroad companies and private car lines, just before the outbreak of the war, owned a total of 146,319 freight refrigerator cars, some 25,000 less than a decade earlier. By April 1, 1945, the number of refrigerator cars in service had further declined to 138,410. As a result, the past year has seen repeated and persistent shortages of refrigerator cars, which have required constant work with the Office of Defense Transportation, the Interstate Commerce Commission and the Association of American Railroads to handle the car supply so that the maximum amount of transportation could be obtained and to avert losses of food and perishable agricultural products.

A representative of the Division is a member of the Refrigerator Car Advisory Committee and meets regularly with the Committee in carrying out the program of cooperation that is necessary if food is to be moved to market and from market to consumer without spoilage.

An analysis of the refrigerator car situation was made in September 1944, covering a summation of the orders, amendments, general permits and special permits, and the causes for the current critical shortages in refrigerator cars. Because of the importance of refrigerator car traffic, an almost chronic shortage of cars, and failure of new construction to meet retirement of worn-out equipment, an additional study was concluded in May 1945 to bring the previous analysis up to date. All orders, amendments and permits touching upon refrigerator cars, lading that normally moves in this equipment, and all icing orders bearing upon the operation of these cars

have been carefully briefed and presented in table form. To facilitate a hasty and reliable appraisal of the continually changing refrigerator car situation, this information is being reduced to cards and indexed for ready reference.

Our investigation of the causes of refrigerator car shortages, supported as it was by various statistical tables, revealed that manpower, reduction in size of the car fleet, aging of the cars and the increasing number out for repairs, the inadequate and retarded car building program, the diversion of traffic from trucks to rails, and the unusually severe weather, all contributed to the current critical situation. The study concluded with the recommendation that at least 10,000 refrigerator cars be constructed at once. The report was discussed with the Director of Transportation, who conveyed the report and recommendation to the Director of the Office of Defense Transportation. It is being pressed actively with that agency.

B. Transportation Tie-up in Northeastern States

Heavy winter storms, accompanied by unprecedented snowfall in the northeastern section of the country during December and January, brought about the most serious transportation crisis experienced since the beginning of the war. Repeated storm conditions tied up lines in New York and western Pennsylvania and, at times, brought the movement of traffic to an almost complete stop. With the carriers unable to free themselves from the resulting congestion, aggravated by the continued flow of traffic into the area, it was necessary for embargoes of varying degrees of stringency and duration to be declared at several times during the period of the emergency. During these embargo periods, arrangements were made to permit the movement of critically needed commodities to avert hardship to the people who were dependent upon imported foodstuffs and supplies. The embargoes were not of sufficient duration to present a crisis in food for human consumption, of which there were substantial stocks in the major cities affected. However, supplies of livestock and poultry feed ran very low and it was necessary to permit the movement of many carloads of these commodities into deficit feed areas. Throughout this period we worked with the Director of Transportation to meet these emergency situations.

C. Box Car Shortages in the Middle West

Congestion of traffic on eastern lines as a result of the storms in January and February 1945 was of such proportions that it brought about a dislocation of box cars that was not remedied for several months. Because this type of equipment accumulated in large numbers on eastern roads, which were not able to return cars made empty, the western lines were drained of box car supplies to a serious degree. Midwest terminals, country elevators and farms held the major part of the record grain crop in 1944 which it was impossible to move to market in a normal fashion. A substantial proportion of the corn produced in Nebraska, South Dakota, Minnesota and western Iowa was of

high moisture content because of late frosts and much of it was stored on the ground. It was necessary that as much as possible be moved to drying plants to avoid heating and spoilage upon the arrival of warm weather. The Agricultural Adjustment Agency conducted a successful program in cooperation with certain of the State and local authorities to construct emergency cribs and transfer the corn to such facilities. We worked with the railroads to get equipment into the areas most seriously affected.

At the same time, the heavy lake program for 1945 demanded the movement of large amounts of spring wheat from the northwest to Duluth and Superior for movement by water to eastern mills and for export through North Atlantic ports. During the period immediately preceding and following the opening of navigation the box car shortage made it impossible to maintain the volume of grain necessary to meet the program, but persistent efforts and cooperation with the Office of Defense Transportation, the Interstate Commerce Commission, and the railroads brought cars into the northwest in sufficient numbers in the late spring months to restore a substantial part of the ground that had been lost. We are continuing our efforts to keep this movement at a high level.

D. Grain Movement on the Great Lakes

In our previous annual report for the fiscal year 1943-44 it was stated that in the lake season of navigation for 1943 approximately 185 million bushels of grain moved on the lakes in vessels of U. S. registry. Increased requirements for milling wheat and grain for animal and poultry feed raised the level of movement in the season of 1944 to approximately 290 million bushels, in addition to which 63 million bushels were transported to U. S. ports in vessels of Canadian registry, a total of approximately 353 million bushels arriving at U. S. ports by water. With an easier shipping situation than in previous years, the problem resolved into the ability of the rail lines to move grain to the lakehead and from lower lake ports to ocean ports and domestic destinations in sufficient volume. This required constant attention and work with the Director of Transportation and the three lake grain committees set up in Buffalo, Chicago, and Duluth. Speaking generally, the rail movement from lower lake ports was not sufficient to absorb all the grain currently arriving by water. This plugged the elevators at the ports.

In 1945, with further increased demands for grain movement, largely as a result of the vast Army export program and relief requirements, a tentative quota for the season was set at 340 million bushels in U. S. vessels and approximately 55 million in Canadian vessels, a total of 395 million to arrive at U. S. ports. Again this year the problem is chiefly one of transportation by rail to and from the lake ports. Work with the transportation agencies and the lake committees continues toward this end. While it is believed sufficient shipping is immediately available to transport the full program, the War Shipping Administration, upon our insistence, is holding for possible

recommissi ing approximately 18 lake vessels previously scheduled to be destroyed for scrap. These vessels can be put into operation on short notice if required.

Current records are kept of all movements of grain on the Great Lakes, and a monthly summary is issued for the benefit of the lake committees, the carriers, and government agencies.

E. War Food Order 114
Elevation of Grain from Vessels on the Great Lakes

As a result of the filling of elevators at lower lake ports discussed in the preceding topic, it was necessary to devise some means to prevent the loading at upper lake ports of grain that could not be accommodated at destinations. The movement of such grain would have meant a substantial and unnecessary transportation waste and tended to occupy available elevator space with types of grain not needed in the essential programs. To meet this situation, WFO 114 was issued and became effective September 18, 1944. It prohibited the elevation of grain from vessels to any elevators at U. S. lake ports or on tributary waters without a permit. The Director of Transportation was made director of the order, the Chief of this Division was administrator, and permits were handled and issued through the Lower Lake, Upper Lake, and Middle Lake committees previously mentioned. In order to make this order fully effective, the Office of Defense Transportation issued a companion order requiring that a WFA permit be obtained before grain could be loaded at origin. In addition, the cooperation of Canadian officials was obtained to prevent the loading of grain from Canada to U. S. ports without a permit. The cooperation of the grain trade and shipping interests in this program has been excellent and, we have reason to believe, reflects their satisfaction that it was possible to move more grain with the program than could have been transported without it.

Complete records of applications for and permits granted under WFO 114 are maintained in the Division. From September 18, 1944, the effective date of the order, to the end of May 1945, a total of 939 permits were issued covering the elevation of approximately 231 million bushels of grain. Of this amount, wheat accounted for 154 million bushels, of which 40 million bushels was owned by the Commodity Credit Corporation. Of the total number issued, permits on winter storage vessels aggregated 111 and covered 49 million bushels of grain. In issuing this type of permit, care had to be exercised not to allow more cargoes to tie up at lower lakes ports than it was thought could be unloaded before the opening of the 1945 navigation season.

F. Conservation of Transportation in Shipment of Grain

During the year we have worked with the Commodity Credit Corporation to arrange their shipments under the feed wheat and the Army export programs so as to conserve transportation to the fullest possible extent. This work included the development of the movement from the

Southwest to Gulf ports for export and from the Northwest to the lake-head, rather than by long hauls to the eastern seaboard. We have also assisted them in developing the full use of all barges available for grain transportation on the Mississippi River and its tributaries.

G. Grain Transportation Program, 1945

Because of the expected high grain production for 1945 and the tightness of car supply, trouble spots are expected to develop in some western states. Whereas a pool of 14,000 box cars had been stored in large wheat producing areas in 1944, a pool of not over 2,000 cars are stored in the country awaiting movement of the larger crop of 1945. Consequently, more information of local needs is required so that more efficient use can be made of the available car supply. To effect this the Grain Storage and Transportation Program was set up to gather and analyze current data so as to be forewarned and to avoid, if possible, loss or damage to grain because of lack of transportation facilities. The nine states included in the program are Montana, North Dakota, Minnesota, South Dakota, Nebraska, Colorado, Kansas, Oklahoma, and Texas. Agencies cooperating with this Division in obtaining data from the states mentioned are the Bureau of Agricultural Economics and the Agricultural Adjustment Agency.

Periodically this office will issue reports and summaries to the Grain Storage and Transportation Committee, the Permit Committees and agents, Interstate Commerce Commission and Office of Defense Transportation officials, and other parties concerned.

From reports already received, it appears as though little trouble will develop in Texas, largely because of the greatly reduced crop estimate. Pressure for movement is expected to be high in the western crop reporting districts of Kansas. In areas where storage facilities are inadequate, the Agricultural Adjustment Agency is conducting a vigorous campaign to get farmers to build temporary storage facilities. Furthermore, as large a number of railroad cars as possible are being sent into such areas to move the grain out.

H. Tires for Peach Trucks

Upon complaint from peach growers in South Carolina that they were unable to obtain suitable non-rationed tires for use on peach flats, which are stripped-down automobile chassis with a flat truck body used for hauling peaches from fields to packing sheds, the Division, working with the Office of Materials and Facilities, was able to obtain a modification of existing Office of Price Administration regulations, which permitted the granting of Grade I passenger tires to applicants where suitable non-rationed tires were not available. Under prior regulations the use of Class I tires for this purpose had been prohibited.

II. PRIORITIES

A. Motor Truck Services

In the spring of 1943, when gasoline supplies on the eastern seaboard were at a critically low level, a joint priority list of the War Production Board and the War Food Administration was certified to the Office of Defense Transportation to govern the distribution of gasoline used for motor truck services. By mid-1944 the stockpile of truck tires for civilian use had been exhausted and it became necessary to revise and broaden the previous essentiality list to embrace the distribution of truck tires. Five categories of essentiality were set up, with perishable food products given very high protection. The priority list, after acceptance by the Office of Defense Transportation, was transmitted to the Office of Price Administration, where it was distributed to emergency truck-tire panels throughout the United States and to the local rationing boards and has governed truck tire distribution since that time. This Division represents the War Food Administration on the Inter-Departmental Priorities Committee and the Appeals Committee which considers requests for permanent or emergency relief. The Appeals Committee meets weekly as constant attention and response to changing conditions has been required. Examples of emergency treatment were the down-rating of ice for refrigeration purposes in the winter months and the granting of an emergency increased rating on fertilizer during the months of heavy use on farms. Special attention was also given to tires for specific road maintenance or rebuilding projects in critical areas and provision of tires for snow and ice removal in the winter.

B. Priorities, General: Embargoes in the Northeast

The use of priority action is conditioned upon the particular transportation problem presented for solution. Priorities are workable under some conditions and unworkable under others. For example, during the period when eastern railroads were tied up by winter storms, the situation was met by the placement of embargoes and relief granted to essential movements through the issuance of permits, as outlined in a previous topic. A substantial amount of work and research has been directed to priority studies on many different kinds of traffic. These data are available for use as the occasion may arise.

III. FORECASTS AND INVESTIGATION OF TRAFFIC MOVEMENTS

A. Traffic Forecast, General

The limitations of the transportation facilities of the Nation have required that adequate and current information as to traffic trends and equipment needs be available. This traffic forecast service has been maintained as an inter-agency project under the leadership of the Office of Defense Transportation and the Forecast Section of the Interstate Commerce Commission. This Division, concerned with the

adequacy of facilities for the transportation of foods and agricultural products, has actively participated in this work. Specific attention was given to the most important categories of agricultural traffic mentioned below.

B. Perishable Movements

During the year just closed we have continued the monthly forecast of the movement of perishable commodities requiring refrigerator cars. In addition to the forecasts of the movement of fruits and vegetables, meats and meat products, butter, cheese, eggs, margarine, dressed poultry, beverages, canned cheese, canned milk, and canned foodstuffs other than milk and cheese, that normally move in refrigerator cars, as was done the previous year, there has been added a firm estimate of the refrigerator carloads of such commodities that actually move.

This forecast is published independently by us and transmitted to officials of the Office of Defense Transportation, Interstate Commerce Commission, Association of American Railroads, members of the Refrigerator Car Advisory Committee and other agencies interested in the movement of perishable commodities.

C. Grain and Grain Products - Livestock

In our capacity as a member of the Inter-Agency Forecast Committee, our particular attention has been directed to the loadings of grain and grain products, while the livestock transportation specialist of the Marketing and Transportation Research Division of the Bureau of Agricultural Economics collaborates in the forecasting of livestock car loading. Special and elaborate procedures have been worked out for the forecasting of grain movements, with the result that accuracy has been substantially improved in the past year. The combined commodity forecasts of the various agencies are reviewed and published by the Interstate Commerce Commission for distribution to interested agencies, the railroads, and other transportation people immediately concerned.

D. Special Studies

In addition to the above, monthly forecasts of fresh fruits and vegetables, separately analyzing the movement by States of origin, are published. They are based upon crop production forecasts and cover the succeeding three months. Three statistical studies have been made this year, estimating the refrigerator car movement of domestic fresh fruits and vegetables by commodities and regions, covering a four-month period. These forecasts were published and confidentially circulated to interested Branches of War Food Administration, the Association of American Railroads, refrigerator car lines, and the regulatory agencies.

E. Crop Goals

This year, as last, careful consideration is being given to transportation, as seen in 1946, in connection with crop goals. The prospective situation in 1946 for each type of rail equipment normally required in the movement of the various agricultural commodities has been submitted in a report for consideration in the setting of crop goals. At this distance, the report says, there is no grave danger of critical and crippling shortages in railroad equipment required in the movement of agricultural products in 1946, that should serve to place a damper on production, other than with refrigerator cars. It is admitted that box cars may be short and grain piled on the ground, but this is not a recent development. Tank cars, too, may be at a high premium, but the high rating given animal and vegetable oils for human consumption and the relatively limited number of cars required by this industry promise that satisfactory solutions for such shortages as develop will be found.

F. Truck Capacity Study

As a feature of the work done on production goals, a project was instituted to measure the potential motor truck carrying capacity of the United States for the handling of agricultural products. Because of the paucity of data and information, a great deal of research and investigation was required. The analysis disclosed that while the total tons of agricultural freight hauled by motor trucks to and from markets and over-the-road in 1941 was 78.3% of the total truck and rail traffic in that year, the percentage declined to 68.7% in 1944. The percentage change was primarily due to an increase in rail tonnage, since that moved by truck declined slightly. A comparison of truck and rail tonnages must take into account the fact that practically all rail tons have a prior truck haul and also that there is substantial duplication in tonnages moved by truck.

This analysis of United States motor truck freight indicated that the movement of agricultural commodities declined from a high level of 444 million tons in 1941 to 430 million tons in 1944. It is estimated that the movement may decline to approximately 415 million tons in 1945.

Because of the lack of dependable data on motor truck movements, certain rather broad assumptions, based upon the best information available, were made, but it is felt that, at least relatively, a fairly accurate picture of the truck situation was determined.

Since the study was made, the end of the European war brings promise of substantial numbers of new motor trucks for civilian use, reflected in increased production quotas announced by the War Production Board for the last half of 1945. However, the information developed in connection with the study indicates that large numbers of very old trucks are still in use, and it is expected that increased acceleration in the rate of truck displacements will offset

increased production to a very large extent. The program is still a long way from meeting requirements. A gratifying increase in truck tires for civilian use has been made for the third quarter of 1945. This is brought about by temporary cutbacks in military consumption due to the close of the European war. It is possible increased military requirements with the intensification of the war in the Pacific will reduce civilian quotas in subsequent quarters. Consequently, there can be no complacency as to the truck tire situation at this time.

G. Truck Facilities for Movement of Poultry and Eggs

A special study was made at the instance of the Dairy and Poultry Branch to determine the probable transportation situation in relation to the 1945 goals for poultry and egg production, in connection with which data were compiled on receipts at principal markets in conjunction with corresponding production, sales and railroad traffic data.

H. Studies on Ice Requirements

Upon the request of the Special Commodities Branch, a comprehensive study was made to determine the amount of ice required for the movement and storage of perishable and semi-perishable commodities during each of the years 1939, 1943, and 1945. In addition to the ice requirements for domestic perishables and semi-perishables, the amount of tonnage required for the icing of fishing boats, imported perishables and the movement of fish by rail were shown for the year 1945. The latter data were not available for the years 1939 and 1943.

This material was presented to members of the Ice Industries Advisory Committee in order that they might determine what the ice requirements for transportation and storage would be for the year 1945, and at the same time try to anticipate the manpower needed in the ice industry.

Special studies were also prepared in the spring of this year dealing with the ice requirements for shipments of fresh fruits and vegetables from five States in the Pacific Coast area and also from ten States in the South and Southeast during the months of April, May, June and July 1945.

In connection with these studies consideration was given to the increased daily manufacturing capacity of ice plants and seasonal storage capacity over last year, as well as the increased amount of ice in storage in preparation for the heavy demands of the summer months. The conclusion reached was that, generally speaking, there should be no serious concern over a shortage of ice for car refrigeration for the movement of crops from the two areas involved this summer, although some spot shortages were anticipated. In three States, viz., California, South Carolina, and Georgia, some manpower difficulties have brought about the expected local deficiencies;

however, these were relieved by ice supplies imported from outside areas. These reports were circulated confidentially to members of the National Association of Ice Industries and also to members of the Ice Industries Advisory Committee.

I. Diversion of Fruit and Vegetable Movements
from Trucks to Railroads

In March 1944, anticipating a breakdown of trucking service because of the tire shortages, the Office of Defense Transportation asked our consideration of the suggestion that the allotment of gasoline to motor trucks be reduced 25% and to measure the effect of this reduction on agricultural commodities, particularly in the field of fruit and vegetable hauling. A study was made, based upon a sample of truck movements to the principal markets in 1944, which indicated that such a movement would require approximately 60,000 additional carloads by rail in the following year. In view of the shortage of refrigerator cars, we recommended against the proposal, and it was never carried out. Various alternative conservation methods were studied, and the intensification of practices adopted early in the war were encouraged.

J. Tire Requirements for Milk Tank Trucks

A special study was made of the milk tank truck movement to determine tire requirements because of particular shortages in the large-size tires used by these vehicles, also in great demand by the military. The heavy production of milk products in the spring of 1945 required special attention to this program, but all requirements were met during the fiscal year.

K. Capacity of Pacific Coast Ports

In anticipation of the heavy movement of military freight to Pacific coast ports and the effect this might have on the movement of agricultural commodities, particularly the fresh fruits and vegetables produced in the Pacific coast area, an investigation of the transcontinental rail capacity and the capacity of Pacific ports to receive, store and load boats for export is being made. This study contemplates an appraisal of the rail capacities of the northern and southern transcontinental lines, covered and uncovered storage, rail storage, yard and dock storage, and port capacities. Actual carload movements through the ports are being tabulated and analyzed. In addition to these items, consideration is being given to the ability of the railroads to return empties to the Pacific coast, as well as their facilities for assembling perishable commodities for the eastward movement. No conclusions are yet available.

L. Transportation of Fats and Oils

The study of the location of the production and processing of fats and vegetable oils has been carried through 1943 and 1944. What oil

is produced, where it is produced, how much, where it is refined, the maximum output of each major refined oil at the various locations the proximity of these activities to the next succeeding step in processing, and the location and capacities of the later processing stages, are all surveyed. With this fundamental information available, the production pattern of the industry emerges. Where the various oils, at their different stages, are produced, in what amounts, and when, are revealed for the first time. Seasonal fluctuations in the production of each major oil are noted.

Through the cooperation of the Office of Defense Transportation in supplying to us the information on the movement of tank cars in the fats and oils industry, covering the origin, lading, and destination of every such car that moves, we have been able to plot the State-to-State movement of all the major animal and vegetable oils, both crude and refined, and have pointed out such movements as have appeared to be uneconomical from the transportation standpoint. This has been instrumental in effecting economies in this movement and has not been without weight in retaining in the industry such tank cars as were essential, even during severe shortages when petroleum and other competing movements were pressing for more cars to maintain an unimpaired war effort.

M. Icing of Refrigerator Cars

Believing that losses of food had resulted from restrictions placed by the Interstate Commerce Commission on the use of ice for the protection of perishable commodities moved in refrigerator cars, an investigation was made to determine the effect of such orders. It was concluded that some deterioration and loss of food had taken place, and recommendations were made that the Commission modify its policy so that maximum protection would be given to perishable foods while in transit.

N. Livestock Trucking

The livestock investigation which was in progress at the writing of the last annual report has been carried forward as more recent data have become available. The conclusion reached after breaking the movement down into regions for each of the major species of slaughter livestock, is that there has been no pronounced shift from trucks to rails on a national scale. Generally speaking, the truck movement has held its own on a percentage basis. With some types of livestock and in some regions trucks have failed to keep pace with the rails, but in others the reverse is indicated by the data available.

IV. MISCELLANEOUS ACTIVITIES

A. Reports to the Director of Economic Stabilization

The Division cooperated in the preparation of the report of the War Food Administrator to the Director of Economic Stabilization for the year 1944, presenting an analysis of the current and prospective transportation situation as it pertained to the movement of food and agricultural products, with recommendations as to action that should be taken by other agencies to assure the safe movement and handling of those classes of commodities.

The Division also cooperated with the Office of Defense Transportation in the preparation of a report to the Director of Economic Stabilization in the early months of 1945, estimating what traffic requirements would be for the remainder of the year assuming, first, the continuation of the two-front war throughout 1945 and, second, the close of the war in Europe before January 1, 1946. Following VE Day, a further report was made in the light of conditions seen at that time.

B. Liaison with Other Agencies and Transportation Lines

Members of the staff of the Division, together with the Director of the Office of Transportation, maintain daily contact with officials of the Office of Defense Transportation, Interstate Commerce Commission, War Production Board, Office of Price Administration, Association of American Railroads, and representatives of carriers, in order to be informed of current developments in transportation trends and to work with them in meeting the problems that arise. With the increase in emphasis on the importance of food, recognition of the importance of the Department's functions in transportation use and control as a part of food distribution has grown, and these contacts have become increasingly valuable.

V. OUTLOOK ON CONTINUING PROJECTS

At this stage of the war the transportation plant of the country is a machine in such constant and unremitting use that the failure of its parts must be pieced out, substitutes improvised, and the mechanism kept going by one means or another until final victory removes the strains and permits the replacements and reconstruction so badly needed.

Some developments, such as the end of the war in Europe and intensification of effort in the one yet to be won in the Pacific, create new problems while relieving the old. Yet some conditions, such as the shortage of refrigerator cars, are so chronic that no prospect of relief may be foreseen in the immediate future. Indications are that the following projects will require major attention in the coming year.

A. Traffic Forecasts

Forecasting of traffic movements is the foundation of most of the other programs of the Division and must be maintained and developed.

B. Refrigerator Cars

Continued shortage of refrigerator cars will require increasing attention to the movement of perishable freight.

C. Rail Grain Movement

It is anticipated that the deterioration of box-car equipment suitable for grain and grain products loading, together with prospective heavy yields of grain and the essential character of the domestic and foreign feeding program, will create problems that will demand constant attention.

D. Lake Transportation

The most efficient transportation in the United States, if not in the world, in terms of tonnage carried and elapsed time in transit, is that on the Great Lakes. It is particularly important that it be employed in the movement of grain to the full capacity of the vessels and the port elevators serving them because of the relief it affords to overburdened railroads. But the use of that capacity is dependent upon the coordination of the factors of rail transportation to the lakeheads, capacity of the elevators to discharge and receive grain, the availability of sufficient lake shipping, and the ability of railroads to move grain from the ports of destination to ocean ports and domestic users. Unquestionably that problem will require continued effort throughout the ensuing year.

E. Tank Cars

The end of the European war has brought some relief to transportation by rail tank car through the restoration of old tank vessels, not fit for Pacific duty, to the intracoastal movement of petroleum products. It is hoped this will permit the discontinuance of some of the work on this project and devotion of the time formerly employed on it to more urgent matters.

F. Motor Truck Services

No feature of the transportation of food and products of agriculture has given more concern than the maintenance of adequate motor vehicle capacity. Some improvement is in prospect at this time because of a cutback in military requirements for trucks, tires, and parts. But it is not known how far these cutbacks may finally go or how long they will last, with the prospect of at least some restoration when requirements in the Pacific area increase. It is certain that for some time to come the advanced age and condition of trucks now in

service will absorb the new equipment available by retirement of the old. There can be no complacency with respect to our situation in that field. It is expected that our work on priorities of motor truck services and continued review of conditions in agricultural hauling by motor vehicle will continue throughout the year.

G. Ice Manufacturing and Icing Facilities
for Refrigerator Cars

Additional construction of ice manufacturing plants in the last two years has provided facilities that permit the manufacture of all the ice that should be needed for this purpose in 1945-1946. But this industry, employing relatively low-paid labor, has been particularly plagued by the difficulty of obtaining sufficient manpower for the manufacture and handling of ice. Further, heavier loading of railroad cars has presented demands for facilities for loading ice into cars in areas where ice loading docks do not exist, or are inadequate to meet the needs. It is anticipated that these problems will continue to arise.

H. Livestock Transportation Capacity

In past years periodical surveys have been made to determine the ability of railroads and truck lines to meet the peak movements of livestock. To date no conditions requiring action have developed. For the future, with levels of livestock population lower than in the past, no serious difficulties are expected, but it will be necessary to continue to review livestock transportation prospects from time to time, particularly if drought conditions should develop that would cause unusually heavy seasonal movements.

TRANSPORTATION RATES & SERVICES DIVISION

Since creation of this Division during the latter part of 1939, with appropriations totaling \$389,732, it has rendered services resulting in savings of over \$650,000,000, in charges for transporting farm and food products. Many of these accomplishments will continue to bring savings for many years to come. The following statement itemizes \$489,170,881 of these savings in cases where we can measure closely the benefits in dollars and cents:

TOTAL SAVINGS RESULTING FROM TRANSPORTATION ACTIONS
UNDER SECTION 201 FROM THE PASSING OF THE ACT UNTIL
JUNE 30, 1945

<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1944-1945</u>	<u>Cumulative Saving Through June 30, 1945</u>
Grain: Ex-Illinois River to East (I&S Docket 2718)	\$ 493,304	\$ 2,219,868
Grain: Bulk-Heading Charge in West and Southwest	150,000	675,000
Rice: Southwest to Florida Ports	512,000	1,792,000
Flaxseed: Chicago to East	30,000	105,000
Hay: Nevada to Oregon 1943 only	-	1,100
Grain, Government owned: Transit Rules at Ohio River Points (I&S Docket 5249)	8,000	15,300
Grain: Crosstown Switching Charges at Kansas City, Missouri Cancelled	2,121	7,423
Rice: Southwest to Northeast 1942 only via Gulf Ports (I&S Docket 5083)	-	72,187

Name of Action	Estimated Annual Saving Fiscal Year 1944-1945	Cumulative Saving Through June 30, 1945
Frozen Meat: Saved to W.F.A. by eliminating refreezing at Ports	\$ 4,375,000	\$ 8,412,500
Frozen Foods: Defeat of proposed increase in Refrigeration Charges	240,000	555,000
Fresh Fruits & Vegetables: Defeat of proposed increase in price of ice charged by railroads in California	650,000	1,666,346
Live Poultry: Free return of Caretakers in Eastern territory	118,600	533,700
Vegetable Oils Imported: Suspension increased rates account C.C.C. (ICC Docket No. 27747)	362,860	1,269,975
Fertilizer: Canada to Southeastern Points	3,000,000	6,000,000
Limestone: Between all points in United States Suspension 3% in all rates	675,000	2,363,575
Liming Materials: In Official Territory (AAA)	13,983,580	42,950,743
Cotton: Truck Rates in North Carolina	8,000	12,000
Cotton: Southwest to Virginia	3,000	7,005
Cotton: Southwest to Southeast and East	6,000,000	27,128,850
Cotton: California-Arizona to Southeast, Northeast and Canada	63,750	2,263,020

<u>Name of Action</u>	Estimated Annual Saving Fiscal Year <u>1944-1945</u>	Cumulative Saving Through <u>June 30, 1945</u>
Cotton: Southwest to Alabama and Georgia	\$ 14,300	\$ 57,150
Cotton Bale Covering: General	27,840	83,520
Phosphate Rock: Florida to Kentucky and Missouri	55,029	82,544
Superphosphate: Proposed Change in Classification stopped	1,522,500	2,283,750
Oil, Soybean and Corn: Increased rates postponed until August 15, 1945, C.C.C. (ICC Docket No. 28553)	1,239,000	3,097,500
Sugar: Defeated cancellation Transit Privileges C.C.C. (ICC Docket No. 29078)	2,800,000	8,411,282
Livestock: To, from and within the South (I&S Docket No. 4779)	150,000	362,500
Livestock: Pick-up in Illinois, Iowa and Wisconsin (ICC Docket No. 28216)	180,000	880,000
Livestock: Loading and unloading (I&S Docket No. 5129) Charges at Chicago	189,635	568,905
Livestock: Rates in Western District (ICC Docket No. 17000-9)	500,000	1,916,000
Livestock: Loading and unloading charges at Cleveland, Ohio (F.D. Nos. 14038 and 14718)	9,600	8,000

<u>Name of Action</u>	<u>Estimated Annual Saving Fiscal Year 1944-1945</u>	<u>Cumulative Saving Through June 30, 1945</u>
<u>Livestock, Exhibition:</u> <u>(I&S Dockets Nos. 5149-5174)</u> 1943 only	-	\$ 45,000
<u>Export Rates - Government Traffic:</u> <u>(ICC Docket No. 29006)</u>	3,000,000	7,000,000
<u>Terminal Charges:</u> <u>Pacific Coast Ports</u> (I&S Docket No. 5146)	700,000	1,750,000
<u>Fruit & Vegetable Containers:</u> <u>Used, returned</u>	400,000	950,000
<u>Wharfage Charges:</u> <u>California Ports</u> (M.C. Docket No. 632)	97,000	118,500
<u>All Commodities:</u> <u>Transit at Gulf Ports</u> when forwarded by water (I&S Docket No. 5176)	555,344	1,077,672
<u>Wool:</u> New Mexico to Boston	36,333	117,166
<u>Wool:</u> Oregon and Washington to Boston	73,500	256,750
<u>Pineapple:</u> Florida to United States	7,000	31,500
<u>Watermelons:</u> <u>Loading Rules in South</u> (I&S Docket No. 4785)	65,000	357,500
<u>Citrus Fruits:</u> <u>Increase in Estimated Weights</u> (I&S Docket No. 4786)	8,250,000	45,375,000
<u>Potatoes:</u> Maine to South 1942 to 1943	-	120,000
<u>Apples:</u> Pacific Coast to East 1942 to 1943	-	1,560,000

<u>Name of Action</u>	Estimated Annual Saving Fiscal Year <u>1944-1945</u>	Cumulative Saving Through <u>June 30, 1945</u>
Potatoes: <u>Maine to East and South</u>	\$ 100,000	\$ 550,000
Vegetables: <u>Idaho and Oregon to South</u> (I&S Docket No. 5061)	39,200	176,400
Vegetables: <u>Idaho and Oregon to East</u> (I&S Docket No. 5091)	30,000	135,000
All Agricultural Commodities: <u>3% Increase Suspended</u> (Ex Parte 148)	75,000,000	187,500,000
Canned Goods: <u>Florida to Pacific Coast</u>	42,000	149,000
Canned Goods: <u>Texas to East</u>	54,000	135,000
Vinegar: <u>North Carolina to South</u> (I&S Docket No. 5233)	780	1,950
Onions: <u>Texas to Southeast</u>	15,000	52,500
Vegetables: <u>Texas to North and East</u>	480,000	1,680,000
Frozen Foods: <u>Pacific Coast to East</u>	4,200	14,700
Vegetables, Mixed Cars: <u>Texas to Northeast</u> (I&S Docket No. 5218)	50,000	125,000
Peaches: <u>North Carolina to United States</u> (I&S Docket No. 5306)	3,000	4,500
Eggs: <u>Pacific Coast to East</u>	25,000	112,500
Butter: <u>Portland, Oregon to California</u>	6,000	27,000

Name of Action	Estimated Annual Saving Fiscal Year 1944-1945	Cumulative Saving Through June 30, 1945
Cheese:		
Pacific Coast to East	\$ 7,000	\$ 38,500
Eggs:		
Maine to Boston, Massachusetts (Via Motor Carrier)	21,000	73,500
Motor Carriers:		
General Rate Increase	49,533,800 1/2	123,834,500 1/2
Totals:	\$ 176,958,276	\$ 489,170,881

1/ Includes all freight. No way to separate agricultural commodities.

In addition to the savings listed above, there were some 100 other actions during 1944-45 and many others in previous years, the financial benefits of which cannot be accurately estimated. Examples illustrative of such actions are:

- Potatoes, Maine, storage and grading in transit.
- Eggs, drying in transit at some 25 points.
- Canned goods, Pacific Coast, storage and labeling in transit.
- Grain, storage in transit at Nebraska points (1941 emergency).
- Livestock, diversion and reconsignment in western territory.
- Grain, reduced charges for inspection in transit.
- Soybeans, milling in transit in southeast and southwest.

The combined savings for all actions of this type are estimated to be over \$150,000,000 since the start of the work under this appropriation (July 1939) bringing the total estimated savings to about \$650,000,000.

The Division, during the past fiscal year, has cooperated fully with other branches of the Department and the War Food Administration; also the Office of Price Administration, War Production Board, Interstate Commerce Commission, United States Maritime Commission, Office of Defense Transportation, Foreign Economic Administration, and all other interested Government Agencies, in connection with transportation rates and charges as they relate to maximum price regulations, in facilitating the physical movement of agricultural products, the allocation of car equipment, particularly with reference to the acute shortage of refrigerator cars, heavier but still practical loading of box and other types of railway cars, formulating new rates and routes, additional transit arrangements, storage privileges, retention of branch railway lines and other pertinent operating and transportation phases of moving the farm products.

Benefits to farmers, as the outgrowth of 140 separate projects handled by the Division during the fiscal year just ended, covered practically every agricultural commodity shipped in interstate commerce, the effects of which were nation-wide. The States of Louisiana, Texas, and Missouri were benefited through 48, 47, and 43 projects respectively, during that period of time. The over-all average was 32 for each State.

The American farmer, especially through close cooperation with the national farm organizations and the National Association of Commissioners, Directors, and Secretaries of Agriculture, and their State affiliates, together with cooperative marketing associations, trade organizations, State Public Utilities Commissions, and in a great many instances, the members of Congress, have come to rely on this Division for transportation advice, information, and services. Every possible facility has been made available to them for our individual and cooperative efforts to acquire proper adjudication of the transportation problems affecting the movement of farm products.

Some of the details of actual accomplishment, designed for informative purposes, will be found in the itemizations to follow:

I. INCREASED RATES AND CHARGES

Probably the largest contribution in dollars to the producers of agricultural commodities was this Division's participation in Ex Parte 148 - Increased Rates and Charges, 1942. This proceeding before the Interstate Commerce Commission resulted from a petition by the railroads for authority to increase their freight rates 10 percent, to offset wage increases granted railroad employees by the President's emergency Labor Board. This Division participated in the public hearings, submitted pertinent rate and economic evidence by witness and counsel. As a result, the carriers were allowed increases of but 6 percent on processed agricultural commodities, and only 3 percent on basic agricultural products..

Shortly thereafter, it appeared from the financial reports of the railroads that the increased rates together with the increased tonnage being transported, because of the war, produced revenues far in excess of carriers' predictions. Therefore, this Division interested several Governmental Agencies in petitioning the Interstate Commerce Commission to vacate its order permitting the aforementioned increased freight rates and requested cancellation. The Commission took note of these petitions and ordered another hearing, later suspending the increases until December 31, 1943. The last order suspended the increase until December 31, 1945. It has been estimated that because of the action taken, there has been saved approximately \$75,000,000 annually on the freight bill of agriculture.

II. GENERAL WOOL RATE INVESTIGATION

Following a series of many events, the Interstate Commerce Commission on May 7 reinstituted Docket No. 28863 - General Investigation of Wool

and Mohair Rates. It is now expected that hearings will commence in September at Chicago, Illinois, followed by hearings at Fort Worth, Denver, Salt Lake City, Portland, and San Francisco in the order named.

Involved in these proceedings will be an attempt to obtain reductions in all domestic wool freight rates in the United States. If successful, savings to wool growers annually will be many hundred thousand dollars. Our preparations for this case are most elaborate, and compilations for exhibit purposes are in excess of 200,000 statistical and rate factors.

In addition, economic testimony and exhibits will be submitted. Supporting our position in behalf of all the wool growers of the United States are twenty-seven Public Utilities Commissions and State Agriculture Departments, also farm organizations, wool growers, and marketing associations.

Because wool is produced in commercial quantities in all of the States, this litigation will be one of the most important in which we have participated. Following its completion, general investigations on other agricultural commodities designed in similar fashion will be inaugurated.

III. EXPORT RATES ON GOVERNMENT TRAFFIC VIA THE PACIFIC COAST PORTS

As an example of the Division's accomplishments in behalf of the shipment of Government freight, an investigation was made of the rates on Government traffic handled through the Pacific Coast ports for export. This investigation, known as I.C.C. Docket No. 29006, was initiated by the Interstate Commerce Commission on its own motion, because of certain restrictive features in connection with export rates with which Government Agencies cannot comply in war time.

Inland freight rates on traffic destined for export are on a somewhat lower basis than the domestic freight rates on like commodities. However, in order to avail themselves of these preferential rates, shippers are required to show on bills of lading the final foreign destination, the boat on which it is intended to move, and furthermore, the property must not leave the custody of the railroads until it is loaded aboard ship. Aside from the fact that the destinations of Government freight during war time are military secrets, there can be no definite information as to what ship will transport the cargo, or when a ship will be available. Obviously, the Government is unable to comply with these information requirements.

Cooperating with the War, Navy, and the Treasury Departments, the Division on behalf of the War Food Administration, tried for a long time to adjust this matter with the railroads. Finally a compromise acceptable to all the agencies involved, was effected. By this compromise, the War Food Administration receives the benefit of the export rates as published and a terminal allowance by the railroads of 60 cents per ton.

This agreement was signed March 1, 1944 and was retroactive to 1942. However, during the past year there have been amendments adding eleven of the smaller ports to this quotation and in other ways broadening its effectiveness. Negotiations are still under way for a sixth amendment, adding approximately \$50,000 per year benefits. The total over-all benefits to this Administration to December, 1945 are now estimated at about \$10,000,000.

AAR Section 22, Quotation 510-A, a companion Quotation to 265, making applicable the export rates through the ports of New Westminster, Prince Rupert and Vancouver, British Columbia, was consummated and signed on May 7, 1945. It is estimated that this will save approximately \$75,000 per year to the War Food Administration.

IV. PORT CHARGES AT CALIFORNIA PORTS

This subject is the outgrowth of the California Board of State Harbor Commissioners' attempt to increase wharfage charges 60 percent. This increase was protested and finally withdrawn.

The Board of Harbor Commissioners is not satisfied with the present scale of wharfage, dockage, and other charges, and has asked the Maritime Commission to set up a complete investigation into the general level of all of these charges. As a consequence, the Maritime Commission created Docket 640. The first step is to unify the methods of accounting of the various harbor commissions and dock companies. After this unification has been effected, they will then attempt to create a formula for the proper allocation of the total costs. The formula will allocate certain percentages of this cost for the ship and the remaining percentages for the cargoes. This situation will be watched in order to keep as low as possible the cost of transshipping export, coastwise, and intercoastal agricultural commerce as well as the traffic of the War Food Administration.

V. PERISHABLE PROTECTIVE SERVICES

The past year has brought an increase in actions pertaining to refrigerated transportation, the most important of which are as follows:

A. Refrigerator Car Improvements

During the past year there have been a number of meetings with representatives of the fresh fruit and vegetable industry, the frozen food and vegetable industry, representatives of the private refrigerator car lines, and the railroads for the purpose of developing specifications for a new standard refrigerator car. A member of our staff has been designated to attend these meetings and cooperate with the industries, the private refrigerator car lines, and the railroads in drawing up these specifications. He has also been called upon to assist the Bureau of Plant Industry, Soils and Agricultural Engineering in conducting refrigeration transit tests from the West Coast for the

purpose of experimenting with the various proposals under consideration.

1. B. Freezing Tests

Tests to determine the freezing point of canned goods, started in 1943, have been continued during 1944-45. During this year a series of tests on approximately 50 different canned commodities have been conducted. Preliminary reports have been issued, and a final over-all report will be placed in the hands of canners, shippers, and the transportation agencies.

It is felt that these tests will be of considerable value to the canned goods industry, and to the railroads in the prevention of claims for damage and the resultant losses in the supplies of these products.

C. Protective Service Against Cold

Several years ago the Interstate Commerce Commission, on its own motion, initiated an investigation into the reasonableness of the rules and charges covering protective service against cold (heater service). At the request of shippers and producers of deciduous fruits, this Division assigned a staff member to assist them in presenting their case at three separate hearings.

On April 2, 1945, the Commission handed down its decision, which prescribed:

- (1) Minor increases under certain rules considered reasonable.
- (2) Two bases of charges for heater service - one under optional service and another under compulsory service. Both are on a per car basis, whereas the former rates had been published per 100 pounds.
- (3) The Commission found that failure of the roads in the East to provide carriers' protective service within that territory was unjust and unreasonable.
- (4) They found the demand of the northwestern deciduous fruit shippers for carriers' protective service, based upon temperatures within the car, was reasonable.

D. Refrigerator Car Rental in the State of Maine

One of the most significant activities of the Division during this fiscal year, and the results of which undoubtedly will have a most important effect on charges for furnishing special types of cars throughout the country, was the refrigerator car rental case.

Railroads operating in Maine have for the past twenty years assessed a charge of \$5.00 per car, per trip, for use of refrigerator or insulated cars. Inasmuch as Maine ships approximately 40,000 carloads of potatoes annually, the railroads have levied on the potato industry approximately \$200,000 a year for a service which it is believed is lawfully required.

as part of the transportation duties required of railroads under the Interstate Commerce Act.

The formal complaint was filed by the Secretary of Agriculture and the War Food Administrator, cooperating with various trade associations, producer cooperatives and individual shippers, attacking this so-called car rental charge.

The case was heard at Caribou, Maine, November 14 to November 21, 1944 inclusive, and a further hearing was held at Washington, D. C., on March 21, 1945. The Division was represented by a witness and counsel and comprehensive exhibits and testimony were entered in the record.

Opening briefs in the case were filed January 18, 1945, and we now await the Examiner's proposed report, to be followed by briefs of exception and oral argument.

..VI. RETURNED USED FRUIT AND VEGETABLE CONTAINERS

Reduced rates on returned used fruit and vegetable containers were originally set up through the efforts of this Division in 1944. For that year, these new rates saved the fruit and vegetable producers in the South approximately \$227,300, Southwest \$38,280, Pacific Coast \$168,000, or a total of \$433,580, and these rates have been continued for the entire year of 1945. It is reported that the use of these rates has increased since they were originally published, and that the benefits to the producers for the year of 1945 will approximate \$700,000.

The indirect, but important, benefit far in excess of the nominal saving in freight charges afforded by this project, is the fact that it supplied the grower with containers in which to pack his crop and move the produce, where without these used containers, and being unable to obtain new cases, his produce could not have reached its market which would have resulted in enormous losses to the producer.

...VII. FRUITS AND VEGETABLES

Fourteen active projects with reference to rates, charges, and distribution of fresh fruits and vegetables continue to receive our attention. Savings approximating \$9,686,200 were involved in the year's activities, examples of which are:

A. Watermelons - Loading Rules

At least once a year the subject of watermelon loading rules in the South is brought up by the southern railroads. The railroads have been attempting to carry on an educational program whereby the southern watermelon shippers will use certain types of padding between each layer and tier of melons in cars to eliminate so-called excessive loss and damage claims. This educational campaign on the part of

the carriers has not been very fruitful.

In May 1945, a representative of the railroads called a meeting of representatives of the Office of Defense Transportation, Interstate Commerce Commission, and War Food Administration at which he endeavored to obtain an order that would force all southern watermelon shippers to use such padding material at an added cost of about \$7.00 to \$9.00 per car. This proposal was opposed by a representative of this Division first, because of the added expense involved and, second, because it was not believed possible to purchase and have supplied sufficient of this padding material to take care of the watermelons on such short notice. The proposal was not accepted by the Government agencies.

B. Peaches - South to United States

The tariffs covering fresh peaches from points in Alabama, Georgia, North Carolina, South Carolina, Tennessee, and Virginia to destinations in Trunk Line Territory and to points in Canada carry two sections: Section 1 contains the rates prescribed as maximum reasonable rates by the Interstate Commerce Commission; Section 2 carries rates published to meet highway competition.

The latter rates are published with an expiration date of December 31, 1944. Bearing in mind the difficulties that some Southern railroads experienced early in 1944, the Division communicated with the Southern Freight Association early in November asking that these competitive rates be made effective until December 31, 1945.

The carriers complied with our request in part, extending these rates until June 30, 1945, and we are now advised that the matter is being handled with the Eastern lines for a further extension until December 31, 1945. This will assure Southern peach producers to benefits of the lower rates for the 1945 shipping season.

C. Fresh Vegetables - Texas to the Northwest

For a number of years past Western Trunk Line railroads have published commodity rates on fresh vegetables from Pittsburgh, Chicopee and Fort Scott, Kansas, to destinations north and west thereof in Western Trunk Line territory. Although very few fresh vegetables originate at these points at the present time, the commodity rates are used constructing combination rates on fresh vegetables in Texas.

The railroads proposed to cancel the published commodity rates from these three points, which action would materially increase the through rates from Texas to many points in Western Trunk Line territory. This Division, cooperating with Texas producers, shippers, and trade organizations, vigorously opposed this adjustment, and it was finally discussed with the carriers at a public hearing at Chicago, Illinois, January 22, 1945. As a result of this public discussion and after careful and thorough consideration of the railroads involved, the subject was withdrawn and cancelled from the docket; thus permitting

the lower combination rates from Texas points to remain in effect.

VIII. COTTON

A. Cotton - South to North

The decision rendered by the Interstate Commerce Commission in a recent cotton complaint, in which this Division participated, brought about reductions ranging from 4 cents to 8 cents per 100 pounds in the rates on cotton in loads of 50,000 pounds or more to a majority of consuming points in official territory or that portion of the United States lying north of the Ohio and east of the Mississippi Rivers. These reduced rates have been published to become effective July 19, 1945. It is estimated that the savings to the producers and shippers of cotton will amount to about \$300,000 annually.

B. Truck Rates in Carolinas

The Division watches carefully the rate adjustments proposed on intrastate traffic as well as interstate by rail, truck, and water. This alertness prevented excessive increases in motor carrier rates in North and South Carolina. At three different times the motor carriers in those States made strenuous efforts to establish increased rates on cotton. With the assistance of the Cotton Cooperative Associations, these increases were held to a maximum of 5 cents per bale. It is estimated that savings of \$80,000 annually resulted.

C. Cotton Transit

The rail carriers were induced to establish some new transit privileges and continue others on cotton during the past year. Cotton being principally an any-quantity commodity, these transit privileges are essential to consolidation and shipping in carload quantities, thereby enabling the producers and shippers to secure the lowest freight rates origin to destination.

During the war very little cotton was exported. This left large carry-over stocks in every part of the cotton growing sections of the United States. Storage and concentration in-transit privileges were limited to a period of one year by the Railroad tariffs. This Division has been instrumental in having this time limit extended from year to year until now it has been extended to December 31, 1945, with an over-all time limit of 48 months in Southwestern and 40 months in Southern territories. It is difficult to estimate the savings because without this action every bale of cotton for the last four years not reshipped within the time limit of 12 months would have had to bear combination of freight rates into and out of storage or concentration point.

D. California-Arizona Cotton Rates

With the approval and advice of this Division, the Trans-continental Rail Lines established and published during the past year, a full line

of group and specific rates on cotton to all points in the United States. Heretofore rates to consuming points only were published. This enabled the California and Arizona producers to ship their cotton to interior points for storage and then reship to the final consuming point on the balance of the through rate origin to destination. This was very beneficial, especially to the Arizona-California producers, because the armed forces have taken over and are utilizing most of the storage facilities on the West Coast.

IX. COTTON SEED PRODUCTS

During the past fiscal year this Division intervened in two cottonseed products proceedings before the Interstate Commerce Commission with very satisfactory results.

In one case a rail line published cancellation of transit privileges but this Division induced them to withdraw the tariff and continue the operation of the transit privileges. In the other case, the proposed increases were suspended by the Interstate Commerce Commission and after a formal hearing the proposed increases were ordered cancelled, and rates were prescribed which were in many instances lower than those then in effect.

X. LIMESTONE AND LIMING MATERIAL

In the Government Soil Building Program, the Agricultural Adjustment Agency distributes many million tons of limestone and liming material within Western Trunk Line, Central Freight, Trunk Line, and New England territories; the commercial movement is even larger. General revisions of rates were made and equitable commodity rates were established between specific points which were much lower than formerly obtained. It is estimated that this has resulted in annual savings of approximately \$18,000,000.

XI. FERTILIZERS AND SUPERPHOSPHATES

Reduced rates on fertilizers and superphosphates have been established between points in Trunk Line and Central Freight Association territories, and from those territories to points in the South, Southwest and Western Trunk Line. Reduced rates also have been established to and from points in Tennessee-Arkansas and Texas. This enables the farmers to buy more fertilizers and increase agricultural production.

The Classification Committee proposed to increase the rating on deflurinated and calcined superphosphate that would have resulted in exorbitant advances in the current rates. This Division's representative appeared before the Committee and induced them to withdraw the proposed increases. This commodity is used both for fertilizer and a stock food ingredient. An estimated annual saving of \$1,522,000 resulted.

XII. PHOSPHATE ROCK

This Division intervened in a formal complaint before the Interstate Commerce Commission involving rates on phosphate rock from Florida mines to fertilizer manufacturing plants in New Jersey, New York, and Massachusetts. The decision of the Interstate Commerce Commission resulted in reductions in the present rates which averaged 90 cents per gross ton, a saving of \$11,000 annually.

XIII. VEGETABLE OILS

By intervention in two formal cases before the Interstate Commerce Commission involving the rates, both import and domestic, on vegetable oils, the Division was able to effect annual savings of nearly two million dollars. In order to protect the cottonseed oil producers, the Interstate Commerce Commission orders forced increases rates. Before these increased rates could become effective, war was declared and all of these oils came under Government control by purchase and allocation. This Division, by petitions to the Interstate Commerce Commission, has succeeded in postponing the effective date of these orders to August 15, 1945, and is now filing a new petition to extend the effective date to February 15, 1946.

XIV. SOYBEAN PRODUCTS

The Department intervened in a formal complaint before the Interstate Commerce Commission which involved rates and transit privileges on soybean products in California. Hearing was held in Los Angeles, September 18, 19, 20, 1944, attended by witness and counsel from this Division and the Examiner's proposed report recommends the elimination of the transit barriers. If the Interstate Commerce Commission adopts this report, which is deemed likely, it will result in a saving estimated to be about \$1,000,000 annually, and will be of material benefit to the successful prosecution of the war.

XV. SUGAR

Because of inadequate supply of sugar in this country, it was considered necessary to institute a rationing and distribution program. The Southern rail lines very patriotically agreed to requests to establish a storage in transit privilege at interior points on imported sugar ready for consumption. The Barge lines attacked this privilege and sought either to participate in it or have it cancelled. The Department intervened in behalf of the Southern Rail Lines and formal hearing was held in New Orleans, May 19, 20, 1944.

It is anticipated that it will not be necessary to continue this privilege beyond its present expiration date of December 31, 1945. However, it has resulted in an annual saving of approximately \$2,000,000 beside facilitating the sugar program.

XVI. GRAIN

Grain and grain products received their full share of attention during this report period. The year's activities covered 27 individual, widely diversified adjustments. A further order of the Interstate Commerce Commission in its general investigation of the rates on grain and grain products to destinations in the South, and between points in Southern territory, was issued.

The Commission's decision in this proceeding, released April 10, was set forth in a report consisting of approximately 150 pages. The principal rate changes resulting, in a general way, from this decision are reductions in rates per 100 pounds as follows:

From Gulfports to the South	-	4 cents
From Memphis to the Southeast	-	4 cents
From Oklahoma and Southern Kansas to the South	-	7 cents
From Texas to the South	-	8 cents
From Pacific Coast to the South	-	11 cents

There are some scattered reductions from eastern shipping points to southeastern destinations ranging from 1 to 3 cents. Otherwise, the adjustment within the South is left substantially on the existing basis.

The effects of this decision by the Commission will be far reaching, and it is anticipated that continued litigation will follow. The Division will continue its active interest in this particular adjustment in order to protect the shipping farmers and the receivers at destinations.

Special Interstate Commerce Commission dockets covering feeding grains in Western Trunk Line territory, commodity rates on grain from Western-Kansas and Eastern-Colorado to Omaha, proportional grain rates on Ex Barge traffic to the East, switching charges in Kansas City switching district, coast-wise rates, drought relief rates on hay, export grain rates through New York Harbor, rates on grain from Canada to the South, wheat between points in Texas, Canadian grain Ex Lake from Chicago to Gulfports, alfalfa meal from Texas to Atlantic Seaboard territory were some of the instances where the Division rendered direct services benefiting not only normal domestic grain traffic, but also high priority war tonnage.

XVII. DAIRY AND POULTRY PRODUCTS

Wartime conditions have brought about a dislocation of normal population centers. This dislocation has been felt in the transportation of dairy and poultry products as much or more than in any of the other agricultural commodities. New truck rates and regulations have been particularly active. The Division during the past year has handled

innumerable rate adjustments effecting changes in rates and weights on eggs. We have been instrumental in securing liberalized transit privileges on cheese and butter, as well as provisions permitting additional privileges on powdered eggs, and dried and condensed milk.

The railroads during this period have shown greatly increased claim payments on carloads of shell eggs. This Division, therefore, has participated in various tests with reference to the loading, actual transporting, and unloading of eggs. Continued efforts have been made to assist the producers in the use of recoopered wooden cases, and also with reference to the storage of fibre cases.

A complete survey of the overhead rate structure as it is applied to poultry and dairy products is now under way. The object of this survey is to analyze thoroughly the present rates and transit privileges and to show their effect upon the marketing of these commodities. An effort is being made to find out what is wrong with the dairy and poultry rate structure, and appropriate corrective measures will be taken.

XVIII. LIVESTOCK

Accumulated savings of \$3,713,952 to June 30, 1945, have been estimated as resulting from actions taken by this Division, a considerable portion of which has been continued by direct actions during the fiscal year.

A survey of the general rate structure on livestock within and between the various rate territories is being made. Information in connection with this statistical matter for a 12-year period, showing the population, livestock production and livestock values by States and freight rate territories, and market receipts of livestock, are being compiled in order that the survey may be comprehensive enough to indicate what is wrong with the livestock rate structure so that the producer may be assured of equitable transportation costs in marketing his product. The final analysis and conclusions made as a result of these intensive studies will clearly indicate any faults in the present structure and enable the Division to fulfill its obligation to the livestock producer by appropriate action.

XIX. 28-HOUR LAW ENFORCEMENT

Active enforcement of the 28-Hour Law during the past year has resulted in the reporting of 2,181 apparent violations on the part of the railroads. Investigation has been completed in 1,175 cases, of which 524 were filed without court action, because failure to comply with the law was due in each case to an unavoidable cause, and 651 cases have been reported for prosecution.

Advice has been received of the disposition of 626 cases by the Courts, in which penalties aggregating \$66,000 were imposed. As of June 30, 1945, 697 cases were pending in the Courts.

During the year, visits were made to a large number of livestock markets and feed-in-transit stations to observe the enforcement work and to confer with officials of the railroads and stockyards. We continue to receive excellent cooperation from the field employees of the Bureau of Animal Industry, and of the Meat Inspection Service, who examine railroad and stockyard records at their stations to obtain information regarding the loading and unloading of livestock. The development of a means of obtaining similar information on shipments destined to points not covered by these services is being given close study.

XX. GENERAL MOTOR CARRIER RATES

In addition to the specific motor carrier adjustment rates, mentioned in other parts of this report, with reference to individual agricultural products, the Division has closely followed motor carrier rate adjustments during the year. Labor and operating expenses of the motor carrier rate industry have been steadily increasing. Therefore, the motor carrier publishing agents have attempted to make effective flat emergency charges ranging from 1 to 5 cents per 100 pounds; they have attempted to cancel commodity rates and substitute higher class rates, and attempted to increase their class rate stops and otherwise used every means at their command to increase the charges for transporting agricultural products. This Division has actively participated in these proceedings, protested the proposed increases, and taken active part in the public hearings by presentation of evidence and exhibits by witness and counsel. In practically every instance, this Division, in cooperation with other protestants, has been able to minimize these increases, and a conservative estimate would be that our efforts were successful in holding to approximately 50 percent the increases as proposed by the motor carrier lines.

XXI. ABANDONMENT OF RAILROAD LINES

As has been expected, the attempts of the railroads to abandon what they claim are "non-paying branch lines" have increased during the past year.

The Department's wartime interest in this matter arises from the fact that, should these little branch lines be abandoned during the wartime period, it would leave the agricultural producers located along these lines without adequate means of transportation. Our policy has, therefore, been to oppose these abandonments in every instance where a sufficient amount of agricultural products has been involved. The lack of sufficient trucking facilities during the wartime period would make it impossible for the local produce to reach market if these abandonments were permitted. The shortage of elevator space and warehousing facilities have also been reasons why this Division has entered these abandonment cases. During the past fiscal year we have investigated all of the 52 requests for abandonments placed with the Interstate Commerce Commission, and in most cases have found that there was insufficient agricultural traffic involved. We have participated in public hearings and the entire procedures and secured favorable decisions from the Commission declining to allow the track to be abandoned in 7 cases.

We have participated in 8 additional pending cases on which hearings have been held and the decision of the Commission is awaited.

XXII. AIR TRANSPORTATION

A vast amount of interest has been generated nationally in the possibility of moving agricultural commodities by air cargo after the war. In order to keep abreast of this possibility, much research has been made into the existing freight and express rates on various fresh fruits and vegetables so that at the proper time, in cooperation with the air industry, an equitable schedule of rates via air may be put into effect.

Two articles on "Agriculture's Place in the Sky" have been written by members of the Division during recent months and given wide publicity. One was published in "Flying", a national air magazine, and another in the "Traffic World" a publication primarily devoted to items of especial interest in the transportation field. These two articles deal principally with the use to which agriculture can put the airplane in moving its produce.

XXIII. ALTERNATING RATES AND MINIMUM WEIGHTS

This Division has for sometime past recognized the need for graduated scales of rates dependent upon varying minimum weights. During the war period, the Office of Defense Transportation has insisted upon shippers loading cars to the heaviest practical minimum. Shippers have conscientiously endeavored to carry out the objectives of these orders. The railroads have not made comparable reductions in the rates, even though they have received greatly increased carload earnings. It is the objective of this Division for the future to sponsor heavier loadings, but where this is done, corresponding decreases in the rates should be made. Our theory is that all possible car loading space should be used, as an economic measure, and that the shippers who do comply with the spirit of this project should receive the benefits of lower unit transportation charges. This matter is actively on the docket of the railroads and this Division will follow closely its effect upon agricultural traffic to the end that the farmer may increase his net income.

XXIV. EQUAL FREIGHT RATES FOR SOUTH AND WEST V. EAST

The claim, that the lower freight rates charged the manufacturers in the East had retarded the commercial growth of the South and West, was partially satisfied by the Interstate Commerce Commission in its recent decision ordering a temporary 10 percent reduction in class rates in the South and the West and a corresponding increase of 10 percent in the East.

By its report of May 15, 1945, the Interstate Commerce Commission rendered a decision of far reaching importance in these proceedings. While the immediate effect of the decision may not be important, the ultimate results, over a 10-year period, are considered to be of signif-

icance in creating to a greater uniformity of freight rates.

Under the decision, it is contemplated that a uniform level of class rates, governed by a uniform freight classification, will prevail throughout the area embraced in the proceedings.

The Division is a party to the proceedings and expects to follow closely the subsequent developments in relation to their effect upon present rates on which agricultural traffic is moving. A summary of the reports by the Commission has been prepared by the Division and is available for distribution to interested parties.

XXV. PLANS FOR THE FUTURE

The past four years have brought about many changes in shipping methods and transportation facilities. Wars have always been followed by many changes. To select the best of these innovations, for all modes of transport, at the most economical costs will require intensified consideration and accurate planning.

Our objectives during the ensuing year contemplate an enlargement of our program for maritime and waterways, "tidewater rates," increased facilities for accounting and economic evaluation, and extended motor carrier activities.

Detailed surveys of rate structures, as they affect each important commodity, designed to indicate "what is wrong with" these rate structures will be made. The ultimate goal is the transportation of farmers produce to its final market through the most economical and efficient method that is consistent with the service required.

DIVISION OF WAREHOUSE SUPERVISION

I. EXTENT OF WAREHOUSE SUPERVISION

The work of this Division during the year 1945 was confined entirely to the administration of the United States Warehouse Act. As indicated in previous reports this work consists largely of licensing warehousemen and supervising their operations to see that the Act and the regulations thereunder are observed. At the close of June 30, 1944, there were 1,340 licenses in effect issued to warehousemen and 3,375 licenses to samplers, inspectors, graders and weighers, while on June 16, 1945 there were but the same number of licensed warehousemen as the previous year and only 3,317 licenses related to samplers, inspectors, graders and weighers. These figures, however, do not mean there was no activity in licensing. At no time is the work static. Warehousemen not previously licensed apply for licenses while in the course of each year a certain number of warehousemen permit their licenses to expire because they sell their facilities, or they permit the lease to expire, if the facility licensed is leased, or for some valid reasons licenses are suspended or revoked. Many times licensed warehousemen also want additional space included in their licenses. During the year, 444 separate actions affecting licenses were taken. The following shows this in and out movement:

Commodity	Licenses					
	: New	:	:	:	:	:
	: Licenses	: Rein-	: Expired	: Can-	: Sus-	: Amended
	: Issued	: stated	: Expired	: celed	: pended	: Amended
Cotton	: 21	: 2	: 5	: 24	: 5	: 101
Grain	: 64	: 2	: 31	: 38	: 1	: 71
Wool	: 20	: 1	: -	: 2	: 1	: 24
Tobacco	: 1	: -	: 1	: 2	: -	: 5
Nuts	: -	: -	: 1	: 1	: -	: -
Broomcorn	: -	: -	: -	: -	: -	: 1
Beans	: 3	: -	: 1	: 3	: -	: 2
Sirup	: -	: -	: 1	: -	: -	: -
Canned foods	: 2	: -	: -	: 1	: -	: 2
Seeds	: -	: -	: 2	: -	: -	: 1
Cherries in brine	: -	: -	: -	: -	: -	: 1
Total	: 111	: 5	: 42	: 71	: 7	: 208

During the year, 1,197 actions were taken affecting persons serving warehousemen as samplers, inspectors, graders, and weighers, 503 new licenses being issued, 136 amended, and 558 suspended or canceled.

A. Licensed Capacity

The following table shows a comparison of the licensed capacity status for the past three years:

Commodity	Licensed Capacity June 30, 1943	Licensed Capacity June 30, 1944	Licensed Capacity June 16, 1945
Cotton	10,387,853 Bales	10,648,785 Bales	10,590,086 Bales
Grain	257,696,314 Bu.	260,501,904 Bu.	258,128,154 Bu.
Wool	50,138,710 Lbs.	78,706,700 Lbs.	120,577,054 Lbs.
Tobacco	148,578,900 Lbs.	116,150,000 Lbs.	100,740,000 Lbs.
Nuts	27,000 Tons	19,800 Tons	6,600 Tons
Broomcorn	14,500 Bales	16,750 Bales	24,750 Bales
Beans	925,050 Cwt.	1,624,650 Cwt.	1,551,550 Cwt.
Sirup	747,240 Gal.	642,640 Gal.	592,640 Gal.
Dried Fruit	2,922,000 Lbs.	---	---
Cold-Pack Fruit	6,313,950 Lbs.	6,313,950 Lbs.	6,313,950 Lbs.
Canned Foods	3,665,506 Cases	3,575,900 Cases	4,113,900 Cases
Seed	693,302 Cwt.	492,187 Cwt.	207,187 Cwt.
Cherries in Brine	12,071,043 Lbs.	7,769,000 Lbs.	7,235,000 Lbs.

From the above table it is apparent that the principal progress in licensing of warehouses during the past year has been in the wool field. Activity in this field commenced in the previous year in the Texas wool growing area and continued into the year 1945. From January 24 to April 24, 1945, storage space in this area to store over 26,500,000 pounds was inspected for licensing. In this same area one warehouseman alone has 24 houses licensed capable of storing 46,460,000 pounds, while seven other warehousemen have total space licensed to accommodate 34,220,000 pounds, making a total licensed capacity in Texas of 80,680,000 pounds. The 10-year average wool production ending 1938 for Texas was 75,835,000 pounds. The production for 1944 was estimated at 80,180,000 pounds, so it is apparent sufficient space is licensed to accommodate the entire annual wool clip of Texas.

B. Number of Inspections

The major activity of the Division during any one year is the inspection of warehouse operations to see that the Act and regulations are properly observed. This ordinarily represents between 80 and 90 percent of all work. During the past year to June 16, 1945, approximately 4,590 examinations of warehouses were made, or an average of about three inspections per warehouse. The theoretical standard of the Department is four inspections per warehouse annually. Because of the number of inspectors lost to the armed services and the difficulty of securing proper replacements, it has not been possible to observe the desired standard. However, there has been no let-up in the quality of supervision. The manpower situation is perhaps more acute with warehousemen than with the Department.

Consequently warehousemen have had to replace trained and experienced help, often key men, with inexperienced and quite irresponsible help. That situation makes the need for quality supervision on the part of the Department greater than ever and warehousemen, strange as it may seem, are asking for more frequent supervision rather than less.

During the year much consideration was given to requests from interests in Idaho to place various field and garden seeds on the eligible list. The subject is still under consideration and the field will be further explored.

During the year many questions have arisen in connection with the operation of the Office of Price Administration. Since the outbreak of the war, warehousemen's labor problems and costs have increased tremendously with the result that the Office of Price Administration has been petitioned again and again for approval of changes in rates. Invariably when such petitions are filed, the Office of Price Administration contacts this office for information and we have had very good working relations. Sometimes it has been necessary for us to collect certain data in the field from the warehousemen. Again, certain licensees filed applications with this Department to increase their rates without regard to Office of Price Administration's maximum price regulations. In such instances the warehousemen were advised that they had to secure approval first from the Office of Price Administration; otherwise they would find themselves in trouble under price regulations. In this way we have rendered a distinct service to warehousemen, many of whom appreciated the service.

C. Purpose of Supervision

In several annual reports it has been emphasized that the purpose of the Warehouse Act is to transform agricultural products while in storage into a form of collateral that will be generally acceptable as security to loans made on the products while in storage and awaiting marketing. That is a generalized statement. To accomplish that purpose warehousemen are licensed under the law. Before licensing, a tremendous amount of investigational work must be performed and basic information secured to determine whether a warehouseman should be licensed. That is the beginning of the making of collateral. It is only by proper and thorough screening of applications that a proper foundation can be laid. If warehousemen are not competent to handle the products properly, if their employees are unskilled in the performance of the various duties incident to storing products properly, if warehousemen's facilities are not adequate and properly equipped, if a warehouseman has not the proper financial responsibility and a reputation for doing business openly and honestly, if warehousemen cannot furnish the required bonds, and if they do not manifest a spirit of cooperation, very obviously they are not proper persons to license and any licensing of them could not result in creating faith and confidence, first in patrons of warehouses so as to induce them to place their products in storage with such warehousemen, and second, in bankers who would be asked to loan on their warehouse receipts.

There are many questions that both depositors in warehouses and bankers who are asked to loan on the basis of the commodities ask before the producers will deposit their products or the bankers will make loans. For years there has been ample money available to finance crops while in storage, but bankers know that there are good, bad, and indifferent warehousemen who operate good, bad, and indifferent facilities. So producers want to know whether their products will be properly cared for while in storage, whether they will be properly weighed, inspected, and graded by competent men, whether they will be insured under proper policies by the warehouseman, whether the products will be in the warehouse when the grower wants to sell them, what the cost of storing and handling his products will be, and finally, whether he can get a loan on the basis of the warehouse receipt that the warehouseman will issue to him. And the banker has a long line of questions that he will ask when approached to make a loan. The very first questions that he will ask the person who wants a loan on stored commodities are: "What kind of a warehouse receipt are you going to give me? What does it really represent? What are its terms and what protection does it afford me? Am I protected at all times? Will it give me a fair idea of the quantity and value of the product on which you want a loan? Is it issued by a warehouseman who is not directly or indirectly connected with you? What kind of facility does this warehouseman operate? Who has approved it, if anyone? What are the standards for approval of warehouses? In what companies is the product insured if the receipt recites that the product is insured by the warehouseman? What kind of policy covers the product? Is the warehouseman under supervision of any disinterested agency? If so, what agency? And what standards does that agency maintain? Can I be assured that the warehouse receipt will convey security title to the products on which I loan?" Proper answers to these questions all go toward making sound collateral which will command confidence and secure fair loans and low interest rates. And these are all questions which must be considered in the administration of the Warehouse Act when an application for warehouse license is filed with the Department. The answers to those questions suggest the many avenues that must be carefully explored before a license is issued to any warehouseman.

There are, of course, different agencies in the field of warehouse supervision. In many states there are State Warehouse Departments whose supervision varies greatly. Sometimes certain bankers or loaning agencies will attempt to exercise supervision. And then there is the Federal Warehouse Act Administration which is generally conceded to top the list in the field of warehouse supervision.

II. BENEFITS OF FEDERAL WAREHOUSE SUPERVISION AS SEEN BY LICENSED WAREHOUSEMEN

The Federal Warehouse Act was passed 29 years ago. It is largely a regulatory law. Notwithstanding that business generally is not seeking more and more regulation by government, during all the years since the Warehouse Act was passed progress has been made under it, until today some of the largest operators in the different fields of warehousing

covered by the law are operating under its provisions and doing so with a feeling of satisfaction, and many times enthusiasm, and extending full cooperation. And frequently these warehousemen are asking not for less, but for more supervision. This fact and the further fact that the Warehouse Act is accomplishing its prime purpose are borne out by the following quotations from letters which were received from licensees during the past spring in response to a request made upon the warehousemen for their appraisal of the Warehouse Act and the service rendered thereunder. They were requested to approach the subject not only from the viewpoint of what the law might mean to them as warehousemen, but also what they understood it meant to the bankers and patrons of the warehousemen. They were asked to discuss the subject with their associates, their bankers, their patrons and the patrons of the bankers, and give their frank and honest opinion. These replies come from warehousemen engaged in the storing of different commodities. Some of them were bitterly opposed to the Warehouse Act some years ago. They represent warehousemen who have been operating under the Warehouse Act from five years to more than twenty years.

A. Wool Warehousemen

The first is from a wool warehouseman located in an important wool growing area where until a few years ago warehousemen would not hear about the Warehouse Act:

"It is our belief that the Federal Warehouse System is a good thing for the wool industry. There are various bonding systems in use but none universally recognized. It is also our belief that the state bonding systems are very lax, the amount of the bond is low, and not a great deal of attention paid to the financial responsibility of the licensee.

"The banks in this area have not been too much concerned about the type of warehouse receipt, since they have been dealing personally with the warehouseman whom they have known practically in all instances since the existence of their warehouses. However, we feel sure that they recognize the advantage of the federal warehouse receipt over that of state bonds and commercial bonding organizations.

"We also believe that the producer is more impressed with the federal system and that it gives some prestige to the warehouseman operating under such.

"With reference to the federal warehouse receipt as collateral, we do not think there is any comparison when it leaves its home territory. That factor is likely to be given rather scant attention in the local community of the warehouseman."

The following is from a wool warehouseman in still another important wool producing area who has been operating under the Warehouse Act for over twenty years:

"The writer has been connected with businesses that have operated under the United States Warehouse Act for almost twenty-five years. His belief from this experience is that in no way should the operations of the Act be curtailed, but if anything should be strengthened.

"It is our belief that for any person warehousing agricultural commodities, the federal license is a definite asset. Our depositors like the receipts we furnish them because they are readily negotiable, and as far as the banker is concerned, he is most emphatically in favor of it. As one banker expressed it, 'until the Warehouse Act was passed, the warehousing business was very slipshod, and the very existence of the act forces the warehousemen to conduct themselves in a business-like manner.' * * *

"Wool producers send us their wool freely as they know we are responsible, being federally licensed. We also store considerable wool for mills in this section of the country. They insist on the federal licensed receipts as it simplifies their financing of purchases of raw materials. We also operate here in two U. S. Customs bonded warehouses. These are federally licensed. This was done at the request of the mills who store foreign wools here and this double bonding is probably the best example of what they think of the federal licensed warehouse receipt."

B. Seed Warehousemen

Not much use has been made of the Warehouse Act in the storing of seeds, but the following from a warehouseman who is storing seeds for one of the large cooperative associations indicates the feeling of this warehouseman after more than fourteen years operation under the Warehouse Act:

"We want to take this opportunity to tell you something of the benefits which we receive through our federal licensed warehouse, and should the Government at any time contemplate discontinuing that service we want to go on record as desiring an opportunity to be heard in support of continuing the service.

"We have been under federal licensed warehouse since 1931, handling the products of the _____ Seed Growers Cooperative.

"The service which you have rendered us has been in every way competent and efficient and the bank through which your warehouse receipts have been used is entirely satisfied.

"We feel that if this service was discontinued it would be very detrimental to the members of the _____ Seed Growers Cooperative in their financing of the seed and they would also want to appeal against the change."

C. Warehousemen Storing Sirups and Canned Goods

Another product that is storable under the Warehouse Act is sirup. Extracted honey is therefore eligible under this commodity. One of the principal honey producing associations in the country has been storing its product in federally licensed warehouses for a number of years, and the following sets forth the service rendered to this association through the Warehouse Act:

"Federal warehousing permits producers of honey to store their honey cooperatively when it is harvested and market it in an orderly manner throughout the year thus contributing very materially to market stabilization and the building of a merchandising program to permit a constant flow of honey to the consuming market as demands develop. In short, the federal warehousing of honey, and the loan facilities provided by Cooperative Banks, has taken honey out of the seasonable peddling class of foods with resulting erratic markets and placed it alongside other food items on the American markets through development of strong marketing organizations owned and operated by producers themselves. Without federal warehousing and Cooperative Banks this could not have been accomplished.

"I feel that it would be a severe blow to the American farmer if he should lose either federal warehousing or Cooperative Banks and I feel that both of these services are worth to our Government many times the money that is being appropriated for their continuance."

Canned fruits and vegetables were placed on the eligible list for storage under the Warehouse Act in 1926. Since that time a great many canners from one end of the country to the other have availed themselves of federal warehousing. The following is an expression from a canner who has been using this service for the past ten years or more:

"Had it not been for the facilities it offered us for financing our packs of vegetables during the depression, we must certainly have gone out of business. As it is, we have been able to stay in business and to build up our annual pack from less than 40,000 cases to where we will pack normally about 100,000 cases. In fact, if we get good yields this year we will run to 125,000 cases or more. In addition we have built up our payrolls to where they are now probably four times what they were then. We were told that during the depression there was less need for relief in this community due to the employment offered by our factory, and this certainly would not have

been possible had we not been able to use the facilities of the warehouse. With our larger pack, we are hoping that it will be possible before long to increase these facilities, so we can make greater use of them."

D. Soybean Warehousemen

In the past ten years or more the soybean has become an important product in American agriculture. It has forged to the front rapidly and production has increased tremendously. Financing of the product pending its consumption has been an important factor. Here is an expression from the manager of a growers' cooperative association which is becoming stronger each year and which has used the Federal Warehouse Act from its inception:

"We wish to assure you that it is the considered judgment of the officers, directors and the members of this Co-operative who have been contacted that any curtailment of Government activities and expenditures certainly should not jeopardize the operation and administration of the U. S. Warehouse Act. It is our opinion that the operation of federally licensed warehouses is most essential for the storage and financing of farm commodities.

"We, as an organization, would be seriously handicapped in the orderly handling of the soybeans produced and marketed by the farmer patrons of this Co-operative without this service. It is very necessary that we be in position to issue warehouse receipts in order that adequate finance may be obtained for handling our operations.

"This organization, in receiving and processing more than one-half million bushels of soybeans annually, is making a contribution to the War Effort which is of no small proportion. We have been financed to a large extent by the Bank for Cooperatives. The U. S. Warehouse Receipt has played no small part in making possible the operation of this plan of financing. We wish to assure you that we are most anxious to continue to have available and to use this service."

E. Rice Warehousemen

In Louisiana and Arkansas rice is an important crop, and requires considerable money to finance it while in storage. The following from a warehouseman who has been licensed for sixteen years gives a good picture of what the Federal Warehouse Act means to the producer, to the warehouseman, and to the banker who finances rice:

"We believe that government operation under the United States Warehouse Act renders a very worthwhile service to both farmers and warehousemen, and indirectly to the consuming public, for the following reasons:

"The program provides farmers a negotiable warehouse receipt for the products they store, enabling them, if they so desire to borrow money from any bank, using these receipts as collateral. Both bankers and patrons prefer warehouse receipts issued under the United States Warehouse Act, in which they have confidence; and even if farmers do not wish to borrow, they still prefer a receipt for their products from what they recognize as a responsible source.

"It is our belief processors of rough rice also prefer receipts issued under the Act, as federal warehouse receipts are more acceptable as collateral to lending banks.

"Periodical physical checks of stocks by examiners of the Warehouse Administration keep quantities in balance, thus establishing a record for the protection of farmers storing with us.

"Warehouses operated under the Act are kept clean in accordance with requirements of the Warehouse Administration, and because of the good housekeeping resulting from such supervision, warehousemen enjoy a lower rate of insurance on stocks, plant and equipment, thus tending toward economy in the operation of our plants and in the service we render to farmers storing with us."

F. Cotton Warehousemen

From the beginning of activity under the Warehouse Act cotton has been the major crop that has been stored in federally licensed warehouses. The picture of service rendered under the Warehouse Act would therefore not be complete without a few expressions from those who have had intimate contact as warehousemen with the storing of cotton in licensed warehouses. Here is one from a warehouseman in Mississippi who had his first plant licensed about fifteen years ago and who since then has acquired several other plants and placed each one of them as he acquired it under the warehouse Act:

"As you know we have operated our plant in previous years as an unlicensed warehouse and since about 1931 we have been licensed and wish to say that there is no comparison in the handling of collateral as between a licensed and unlicensed warehouse, as our collateral since being licensed by your Department is accepted throughout the country and it does not make it necessary for a depositor of cotton to check on our financial standing as they know that under the federal licensed warehouse system that this has been checked by your Department.

"We can recall when very few warehouses in the Mississippi Valley were licensed and we have seen the improvement in the operation of plants in the Mississippi Valley under your

guidance and administration. To go further, the Mississippi Valley warehouses have the reputation of having the best warehouse system in the country. This is due primarily to the fact that practically all of the warehouses in the Mississippi Valley are licensed by your Department.

"The Federal Warehouse System has been one branch of the Government that politics has not had a part and it has been operated, to my knowledge, in an efficient manner and your employees have been selected with great care as to their ability to perform their duties. As long as this policy is pursued I feel sure there will be a continued improvement in the warehouse business and other warehouses in other parts of the country will become licensed under your program if you have the funds to expand and take in additional warehousemen."

And here is an expression from a person in Georgia who has not only been actively engaged in managing a cotton warehouse but who is also officially connected with a local bank. This expresses both a banker's and a warehouseman's viewpoint of the Federal Warehouse Act:

"Your memorandum of March 12, 1945, in which you invited appraisal of the law under which warehousemen are licensed to store products and issue licensed receipts therefor, has been before me a good time for attention.

"First let me explain that in addition to my work with the warehouse, I am serving also as Vice-President of a local bank and currently as _____ County Chairman of the War Finance Committee in the midst of a drive to sell War Bonds prior to the formal opening of the Seventh on May 14, 1945. My work has almost precluded giving prompt attention to all my correspondence. Hence the lateness of this reply to your invitation to give my views.

"From the standpoint of a warehouseman, I feel that it has been of great benefit to us in reduction of insurance rates, better management by reason of suggestions along that line, confidence inspired by reason of being bonded and licensed and the security felt by reason of examinations conducted at irregular times showing stock on hand and that withdrawals were properly safeguarded and receipts canceled.

"Bankers are better satisfied to lend on the security of licensed receipts than just on the warehouse. Local receipts when used away from the town in which the warehouse is located, if licensed receipts, are readily accepted, but unlicensed receipts would be looked on with some degree of hesitation at least before agreeing to accept. Producers of products held under licensed receipts are pleased to know that the warehouses will be inspected regularly, that there is

protection provided for them in the operation under a U. S. license and in the bonding of the warehouseman. * * *

"Count us as being very much pleased with our connection with the Administration of the U. S. Warehouse Act. We procured our first license to operate a bonded and licensed cotton warehouse in 1920 and have continuously been so bonded and licensed ever since that year."

From a warehouseman in North Carolina, a state in which cotton warehousing was not on a high plane at the time the Warehouse Act was passed comes the following:

"The - - - - Bonded Warehouse was licensed in the fall of 1929 at which time no warehouse facilities were available in - - - - County. The original capacity was around 900 bales and the present 4315. * * * The opinion of the management is that the Act has been administered very efficiently, both for the protection of the managers, the government and the depositors. In fact, it would be a pleasant thought to think that all branches of the government were conducted in the same way.

"A canvas has been made of different people to find out their opinions regarding the Act; heads of two banks in - - - -, the two largest cotton farmers in the county, the county agent, and eight small farmers. This county has always been a poor place to sell cotton because the local mills could keep buyers out. Since our warehouse has been in operation, it has been possible for our farmers to get a competitive bid on their product, either through the growers association or from an out-of-town buyer with the warehouse receipt. There has never been a question of the negotiable receipt when used as collateral. A farmer with debts to be paid in the fall has been able to borrow on his receipts, and many times sell his cotton in the spring for enough more to pay his fertilizer bills. The largest cotton farmer in the county borrowed the market price on his 1938, 1939 and 1940 cotton and sold in 1941 for \$20,000 profit. Small farmers have also done well. We did not receive a single complaint about the warehouse system, and we are convinced that anything that helps the farmer helps the community as a whole."

Here is an expression from a cotton merchant in Alabama who has had intimate contact with producers and those responsible for financing the cotton crop as well as the warehousemen handling it:

"Having been an active cotton merchant for around 50 years, I think I am qualified to express an opinion on the U. S. Warehouse Act.

"The Act has been of untold benefit to the producer. Before

the Act was passed, 90 percent of the producers were forced to sell their cotton as it was gathered, in order to pay their obligations that always fell due in October and November. After the Act was passed, they could store their cotton in a U. S. Bonded Warehouse and borrow the money on the warehouse receipt to pay off their obligations, and still hold their cotton for a better price.

"The Act was of great benefit to all banks and lending agencies. The warehouse receipt was changed from a piece of paper to a negotiable document.

"The Act made it possible for the cotton merchant to obtain sufficient loans to handle the South's money crop with dispatch."

G. Grain Warehousemen

Since the warehousing of grain has been the second most important project under the Warehouse Act, and since grain is produced in practically all states of the Union, the story would not be complete without expressions from grain warehousemen in various states who have been operating under the Warehouse Act for a number of years. Here is an expression from a warehouseman in Kansas who has been licensed since 1931:

"We have found there is no question about security as represented by federal warehouse receipts. To illustrate, last year, due to the car shortage, we accumulated a large amount of wheat on which it was necessary for us to borrow some money. Having exhausted the loan power of our local bank, we took the matter up with one of the larger banks of this state, in another city, and upon explaining to them that this loan would be secured by federal warehouse receipts on the wheat in our elevator, were able to borrow all the money we were needing within thirty minutes and at a very low rate of interest.

"We have found our patrons are all well satisfied with the service they receive on these warehouse receipts and are all boosters for this type of license. We hope to continue our license under the federal department for many years to come."

Here is an expression from a warehouseman in Texas who has been licensed for many years. He classes the Warehouse Act Administration as one government agency which has more than justified its existence:

"We are of the opinion that there is no department of the Government which can more fully justify its existence and render a greater service to the producers and storers of grain, as well as lending agencies financing grains, than does the Warehouse Act of the Federal Government.

"Because of the supervision and jurisdiction of your department, bankers and other lenders who finance the storing of grain have always considered a federal warehouse receipt issued by one of your licensed and bonded warehouses as being gilt-edge collateral. We certainly would not want to see anything done which would impair the efficiency and service of the U. S. Warehouse Act, and believe that any impairment of your jurisdiction and supervision would very materially affect the producers of grain, as well as licensed warehousemen who are storing grain for the public, which grain in many instances must be financed through local banks or other lending agencies."

A small elevator operator and country miller in Missouri states his opinion of the Warehouse Act and the service rendered thereunder as follows:

"The federal licensing plan for warehouses is valuable to us since it enables us to finance the storing of wheat in our elevators, in the area of production, for grinding into flour during the months between harvests. In this way we avoid the usually prohibitive cost of returning wheat from terminals. We and the local bank of small capital cannot finance the wheat storage without loans from a large bank at Kansas City, and we could not make these loans in volume except with the licensed warehouse receipts as security.

"Wheat producers in this territory are pleased, of course, to have a safe storage to which to deliver their wheat, either for sale or for storage. * * * "

And from a warehouseman in Oregon who has been under federal license for more than fifteen years comes this expression:

"Our firm has been operating under the United States Warehouse Act since August 1929 or for about 15½ years.

"We have felt that our federal license has been a distinct advantage to ourselves, our farmer customers and the financial institutions who have handled the warehouse receipts. Many of our farms are owned by people who now reside at considerable distances from - - - . Yet our federal warehouse receipts for their share of the crop are accepted by their bankers without question even though they be in different states and know nothing concerning our firm. Likewise all local banks know that our federal license guarantees them of a better supervised warehouse and elevator than under state license. All of which aids our farmer customers in the handling and financing of their crops.

"From our standpoint we greatly value the quarterly inspections. Should accident by fire occur the last inspector's report would be of great assistance in establishing proof of the stocks on hand. In one or two instances the federal inspector has called our attention to a bin of wheat which had started to become insect infested; it would have been at a much later date that we would have become aware of this if the inspector had not noticed the condition of the grain and brought it to our attention. Thus we were able to remedy the matter without loss to ourselves or the destruction of a vital food. The inspections also assist us in keeping our stocks in proper balance as to variety and grade; in fact it keeps us 'on our toes' in many respects.

"Federal licensed institutions must keep better records and a better run establishment than state licensed ones. It is true that it requires more time to do so but in the end it pays both the customer and the proprietor of the firm."

From a grain elevator operator and miller in Indiana, and a man who has had experience in storing grain in several states under different systems of supervision comes the following expression:

"We have been operating as a grain warehouse for many years, and being licensed under the United States Warehouse Act, wish to state that this system of federal supervision and inspection, also being able to issue warehouse receipts for collateral, has been a very distinctive service to farmers, merchants and to ourselves, and we wish to commend your department.

"We have been buying grain locally from farmers regularly and have been issuing warehouse receipts on same, with which these farmers have been able to make loans at the banks, or otherwise, thereby securing themselves against wastage, deterioration, insect infestation, quality, fire and grade.

"Our local bankers recognize these receipts as the best security to be had, and make loans accordingly on stocks covered by these warehouse receipts. They particularly make these deductions in view of the fact that they know federal inspectors check the warehouse commodity periodically to see that these outstanding warehouse receipts are fully covered by stocks on hand in the elevator.

"Personally the writer has been in this business of grain merchandising and handling for over thirty-five years, and through this period of time, since this service has been offered by our Government, he has noted that grain elevators and warehouses licensed under this Act, have given to depositors the best service that is to be offered, over and

above those that are not licensed in these activities.

"I could go on and on, almost endlessly, stating the merits of this service and system, but will condense it to this one statement. As a businessman and a warehouseman, I think this is one of the best public services our Government has to offer for the national interest and the handlers of the agricultural products are realizing this more extensively as time goes by. I am taking this means of complimenting your department and the good work in which you are engaged."

In a heavy grain producing area in still another state where many farmers have suffered severe losses by placing their crops with warehousemen who were not too responsible, the manager of an agency which markets a large volume of grain produced in that area each year and whose elevator facilities have been under the Federal Warehouse Act for many years, has offered this opinion of the value of the federal warehouse supervision:

"We have operated under a federal license since we organized in 1938, and the writer has been connected with firms operating under the act for several years prior to 1938. I have had occasion to observe several operators who did not license under the Federal Warehouse Act, but were operating under the State Warehouse Act. While many of our substantial grain firms in the state are still operating under the state law and are sound and reliable in their operations we have had some sad experiences in

"In 1931 the Farmers Elevator Company, which was owned by the late - - - - - , operated some five or six small country elevators under the State Warehouse Act, and in order to secure a large volume of business, made promises to farmers that he would give them anywhere from 30 days to three or four months free storage, and did receive a large volume of wheat for storage. His total capacity for all the elevators would have been just about 100,000 bushels, and he received in excess of a million bushels, which meant that he had to ship wheat somewhere else. Of course, we do not know the details, but do know that in the fall when the farmers got ready to sell their stored wheat he was out of wheat and had no money to pay for it. The growers lost several hundred thousand bushels, and I know of at least two instances where the farmers lost their farms since they could not even get the low price for the wheat they had stored with him. Our experience with the federal warehouses is that things like these do not happen.

"We value very highly the inspection service rendered by

the Federal Warehouse Department and only wish we could have inspections every 60 days instead of every 90 days. These inspections will give any warehouseman knowledge of his grain stock, which of course means the depositors of grain in the warehouses are protected, and we can think of no other method that could possibly take the place of the warehouse licenses issued under the Federal Warehouse Act.

"Every bank of our acquaintance is anxious to hold federally issued warehouse receipts as collateral, which of course is advantageous to the growers as well as the warehousemen.

"Anything we can do to assist the Federal Warehouse Department in making it even stronger we will certainly be ready and glad of the opportunity. We do not believe any other method can render the service to the growers, the warehousemen, the banks, the mills and the public."

Here is an expression from a miller who operates large elevators in various places in several states, and whose financing needs go beyond what local financing agencies can supply. It shows what the federal warehouse receipt means to those who must tap the reservoirs of credit at distant points or in the big cities:

"With the various state warehouse laws in conflict and the lack of supervision, it seems that the Federal Warehouse Act is not only desirable, but necessary. It is well known that grain warehouse receipts are not only banked with local banks, or with banks within the state of the elevator, but they are quasi-negotiable instruments and accepted all over the United States as collateral.

"We, for instance, could understand a New York banker very well if he would refuse state warehouse receipts because he would have to inform himself exactly about the state warehouse laws of the State of _____, and might find it very inadequate for his purpose.

"There has never been a question of acceptance of federal warehouse receipts by any bank. We are not talking about our own elevator only, but we feel much more secure if we received federal warehouse receipts for grain which we have bought from others.

"We here definitely feel that a federal licensed warehouse is necessary for our business - that we are getting this service for a very small cost; that the men who supervise our warehouses are well trained and courteous, and we feel there are other things on which we can save instead of trying to abolish an agency which is of positive benefit to

the producer to whom we issue warehouse receipts; to the banker who discounts the receipts to the warehouseman, who it helps to finance his merchandise, and to the trade in general, which consider federal licensed warehouse as an excellent protection for their merchandise."

From a warehouseman in Iowa came this expression:

"Realizing the benefits of the U. S. Warehouse Act and the fact that it has been in operation for more than 25 years, we want to express our views relative to our operations under this law. We feel that the U. S. Warehouse Act should continue to operate as at present for the following reasons:

1. It enables producers and other interested parties desiring to store grain to obtain warehouse receipts for use as collateral.
2. It establishes good sound credit with the banking institutions relieving any doubt as to the security from the warehouseman.
3. For a miller and elevator operator it affords the opportunity of storing grain for future need and the privilege of issuing warehouse receipts to use in carrying on financial operations with banking institutions.

"We believe that Congress passed this law primarily to aid the financing and marketing of agricultural products. In the event a question ever arises relative to the continuing of the U. S. Warehouse Act, we will be glad to have you call on us for any information we can give to instruct Congress or the public of its value to the agricultural industry."

A warehouseman in Illinois who had been connected with one of the big grain operations of the country for years, and who has had intimate contacts with leading grain bankers of the country, has expressed his opinion of the Federal Warehouse Act and its administration as follows:

"The writer is very familiar with the provisions of the U. S. Warehouse Act and more particularly the procedure followed by federally licensed warehousemen.

"Federally licensed warehouses for the storage of grain play a very important part in handling the distribution of large crops of grain produced throughout the country. The regulations governing the operation of federally licensed warehouses, and more particularly the administration

of the regulations as conducted by the representatives of the Department of Agriculture have, through the years, created in the minds of grain owners the well-established fact that a federal warehouse receipt is the best evidence obtainable as to quantity, grade, and quality of the commodity stored.

"Having had many years experience as a bank director, I am in a position to know that bankers hold in high esteem federal warehouse receipts as collateral.

"The above facts facilitate not only the warehousing, but also the marketing of grain and are therefore of definite benefit to all grain producers."

From the manager of a large grain growers' cooperative organization in Indiana has come this expression:

"Regardless of how much agitation there is for reduction of federal expenditures, we feel that such a reduction should be effected only where there is no particular need for the service. By all means, the Warehouse Act should not come within that category. We have had the Warehouse Act for so long that it has necessarily become a very important part of the nation's financial economy and should not be disturbed. Low interest rates have been made available to grain covered by warehouse receipts, and the reason such low rates are available is, in a large part, due to the careful administration of the Act.

"As far as our organization is concerned, I am sure the farmers of this country will protest any attempt to destroy the effectiveness of our present warehouse system."

The head of the Grain and Feed Division of a large grain marketing organization in Ohio commented on the Federal Warehouse Act in the following language:

"For many years we have merchandised grain. When buying stocks for future delivery we have always requested that they be housed in a federally licensed warehouse.

"Five years ago we leased 1,000,000 bushels of space in a large terminal and insisted that the house be operated under a federal license. By so doing we were assured that our grain would be kept in proper condition and our borrowing would be made much easier.

"Two years ago we purchased a small terminal elevator which was federally licensed and we immediately applied for a federal license which was granted.

"We are now in the process of building a large terminal which should be completed by July 1 this year and we have already inquired for application to have the elevator federally licensed.

"In addition to the many advantages such as borrowing power, proper conditioning, segregation of grades and certainty of good elevator operation, we believe the outstanding feature of the Warehouse Act is that it is universally respected by the trade such as bankers, patrons, merchandisers and producers as good, sound business."

Not only do grain warehousemen in production areas indicate that the Warehouse Act has served them and their patrons well, but many operators of elevators in terminal markets have had very satisfactory experience and more terminal operators are turning to the Federal Warehouse Act each year. Here is an expression from one terminal operator:

"So far as the grain business is concerned, I think the United States Warehouse Act has provided a very excellent service to those who operate under a federal license, which has been of great assistance in financing and in all-over supervision of the operation of licensed elevators.

"I would also like to take this opportunity of saying that you and your organization have done a very outstanding job of administration, and have very deservedly gained the confidence and respect of terminal and sub-terminal elevator operators."

When it is remembered the Federal Warehouse Act is not mandatory and on the other hand that a warehouseman when once licensed is practically free to surrender his license at any time, one cannot regard lightly an expression such as the following from a warehouseman who has been licensed for twenty years:

"It gives us great pleasure to comment on this market service. We are, of course, among the very first in the United States to have our facilities licensed, and as we understand it, we are now the holders of the oldest outstanding license issued by the Government.

"In all of these years we believe your records will show that there has never been any serious differences of opinion to arise between the Department and ourselves. Harmonious cooperation has been the guiding policy. To the best of our knowledge you have never had cause for any serious complaint because of any of our acts, and certainly, so far as we are concerned, the relationship has been cordiality itself. While at the same time we have, of course, realized we must always conform to the rules and regulations of the

Department, which we believe we have done.

"The writer has often made the statement that this service had resulted in more relief and actual good commercially than any other department that was ever organized by the Government. It ranks along with the Federal Reserve System. We honestly believe this is true.

"The real validity of a warehouse receipt was a serious question before the inauguration of a federal license, and in many instances warehouse receipts that had for years been regarded as A-1 security, suddenly proved to be worthless, and it was found no adequate laws were in existence to protect them. Instances of that kind reflected on all warehouse receipts.

"Of course it requires a great deal of money to finance the crops of this large country and the natural course followed for borrowing this money was through the process of using warehouse receipts for security, so that the only question in raising the money was, 'How good is the warehouse receipt?' With that question settled the money was immediately available.

"The advent of the federal licensed warehouse receipt eliminated all question of security and has reached a point in this country where a dealer of repute needs no introduction to a bank, even in a distant city, in order to get a loan. The mere submission of a note, properly margined with federal warehouse receipts attached, is all the bank wants to know. Even a novice can see at a glance what this means in a commercial way.

"It is the writer's positive conviction that in time bankers themselves will demand federal licensed receipts on every loan unless it be in the case where the borrower is a billionaire.

"Personally we do not hesitate to give credit to your Department for a very large share of what prosperity we have reached during the years we have enjoyed your service."

The many excerpts above-quoted were from letters from warehousemen. The story would not be complete, however, without an expression from at least one banker as to his opinion of federal warehouse receipts. So the following is quoted from a letter from a banker to one of his warehouseman customers. This letter is from a banker in a large city in which a large amount of grain is financed each year:

"It is a pleasure for us to respond to your request for us to lend our opinion in support of your appraisal of the United States Warehouse Act and specifically its functions in the issuance of so-called 'federal warehouse receipts for commodities.'

"We have had many years' experience in the loaning of money on grain and during all of this time have looked with the highest favor on the collateral security evidenced by these federal warehouse receipts issued under the United States Warehouse Act.

"In _____ (City) we are particularly fortunate in having a splendid and well balanced organization qualified to make the inspections necessary under the law and to give the superior service to which our primary grain market is entitled. We believe that the form of warehousing typified by the receipts and service rendered under the Warehouse Act in this market, is the finest that can be obtained and naturally we would deplore any curtailment of this service which would in effect be detrimental to the production and marketing of grain and to the over-all credit structure in the banks' relationship with the agricultural industry.

"While we are entirely in accord that economy might be exercised in government expenditures, yet we believe this is one of the basic and essential operations in the agricultural credit picture and as a consequence believe economies might be directed to operations which are not so essential and not of such far-reaching effect."

From the above expressions it would seem that notwithstanding that the Warehouse Act regulates the operations of warehousemen from one end of the country to the other, that it is not viewed on the part of warehousemen as a nuisance or governmental supervision that must be endured, but on the other hand after 30 years warehousemen seem to be enthusiastic in their praise for the service and demand it more and more.

III. NO LOSSES IN FEDERALLY LICENSED WAREHOUSES

When it is remembered that through federally licensed warehouses for the past 20 years a billion to two billion dollars worth of products were handled annually, and that depositors have not suffered losses through these federally licensed warehouses notwithstanding the enormous volume of products handled, it would seem that the warehousemen whose expressions have been before-quoted have just reason to take pride in their membership in the federal warehousing system. And particularly so when they recall the losses that were suffered annually by depositors in warehouses in different parts of the country prior to extended operation of the Federal Warehouse Act.

MARKETING ANALYSIS DIVISION

Note: The Marketing Analysis Division is the successor within the Office of Marketing Services to the functions of the Distribution Planning Branch (previously Program Appraisal Branch) of the former Office of Distribution. These functions include working with the commodity branches and other branches on economic aspects of marketing policies and programs. That portion of the staff of the Distribution Planning Branch that was transferred to the Office of Marketing Services was assigned to the Division. Another staff group has been assigned to the Economic Analysis Division of the Office of Requirements and Allocations, and is performing a somewhat similar function of program analysis there. Because of the broad continuity of function of the Marketing Analysis Division and the former Distribution Planning Branch, however, marketing activities of that Branch during the fiscal year are included in this report.

The Marketing Analysis Division is responsible for general review of the economic aspects of activities affecting agricultural marketing and their adequacy for protecting farm prices and incomes, maintaining the consumption and assuring a desirable utilization of farm products, and improving their marketing and distribution.

A wide variety of activities have been carried on during the year. Several major projects have related to participation by the Office of Distribution and the Office of Marketing Services in the development of Production Goals and related price-support and marketing programs. The Division has coordinated this work, bringing together commodity branch recommendations on a uniform basis, reviewing and comparing them, and preparing integrated agency recommendations.

Another important activity has been the longer-range analysis of price-support problems and development of proposals for dealing with them. Prospective surpluses of major commodities at Steagall prices have been estimated and studies made of a number of new ways of promoting consumption of these surpluses or otherwise disposing of them. This activity has involved extensive cooperation with other agencies and organizations.

The Division has also made a number of analyses relating to the current and postwar marketing of farm products and ways to reduce marketing spreads and improve the operation of Government marketing services and other programs.

Finally, a number of special services have been performed, and the Division has been called upon for consultation on and participation in marketing work of various agencies and organizations.

These activities are described in the material that follows. They add up to a substantial contribution to the development and conduct of programs of the War Food Administration and the Department. Nevertheless, the staff available is inadequate to the broad task of economic program and policy development that needs to be done if the Department is really to deal effectively with the difficult marketing problems that lie ahead. While some other units in the Office of Marketing Services and elsewhere in the Department are working on pieces of this problem, the job as a whole simply is not being done. Some suggestions are therefore made in this report regarding the scope of work that should be undertaken and the organization and staff it would require.

I. PRODUCTION AND MARKETING GOALS AND PRICE-SUPPORT PROGRAMS

Prior to 1944 inadequate account was taken of marketing conditions in developing production goals and support prices, and marketing programs were not sufficiently coordinated with production plans. This resulted in frequent marketing difficulties.

A. 1945 Goals

In developing the 1945 goals, therefore, commodity committees were established within the Office of Distribution to analyze marketing problems in relation to the production goals, assist the Office of Distribution representatives on the War Food Administration's commodity goals committees and Goals Review Committee, and recommend actions in the field of marketing that would be needed to assure proper handling and utilization of the goals production. Members of the Program Appraisal Branch acted as secretaries of these Office of Distribution committees and had general responsibility for outlining their work. They were also in a position to compare and correlate information on inter-commodity problems, and committees were established on marketing functions like transportation and storage for across-the-board review of functional problems.

This project represented a new undertaking in goals work. It was necessary in many instances to feel our way along and do considerable educational work in connection with it. Adequate information was not available for a cross-commodity inventory of the adequacy of marketing facilities to handle goals production and time did not permit surveys to obtain additional primary data.

The project, nevertheless, aided materially in showing the need for and obtaining desirable adjustments in some of the production goals. It likewise aided in the anticipation of marketing problems of types that have in the past caused a waste of the nation's food resources.

In addition to the committee work just described, carried on under the supervision of the Deputy Director, the Program Appraisal Branch compiled extensive statistical data for his use in appraising goals proposals and otherwise fulfilling his responsibilities as Office of Distribution representative on the Goals Review Committee.

B. 1946 Goals

The Marketing Analysis Division has already started similar work in connection with the development of goals for 1946. Less formally organized, this project likewise has the basic objectives to bring to bear in the formulation of production goals, proper consideration of the marketing facilities available, and to anticipate the marketing programs that will be necessary to assure proper handling of the goals production.

To date two steps have been completed. A brief statement on the outlook for marketing facilities was furnished the Bureau of Agricultural Economics for inclusion in the handbook for field workers making the 1946 Production Capacity Study. In this way marketing considerations have been brought to bear in the initial stage of the development of goals from the production side. A more extensive review has been made, in cooperation with other Office of Marketing Services branches and divisions, of the adequacy of facilities for transporting, storing, packaging, and processing farm products in 1946. A report is being submitted to the Chairman of the Goals Review Committee pointing out the extent to which these marketing functions are likely to impose limitations on the farm production that can be marketed and distributed, and outlining the alternative courses of action that may be undertaken to deal with the problems thus presented.

As soon as tentative goals are developed, definite estimates will be made of the adequacy of critical facilities for handling the combined goals production of all commodities. Where the levels of production tentatively proposed cannot be handled by the facilities expected to be available, the Goals Review Committee will be asked to reconsider the proposed goals. Specific program recommendations will be developed for maintaining or expanding facilities or making other adjustments in marketing to assure the ability to handle farm production under the goals finally determined upon.

C. 1945 Support Prices

The Program Appraisal Branch prepared the Office of Distribution recommendation regarding price programs to implement the production goals for all commodities in 1945. This involved first of all bringing together on a uniform basis statements from the commodity branches analyzing past price support problems and recommending and justifying support prices, ceiling prices, and price programs for all commodities in 1945. These branch statements were then checked for consistency and comparability. A number of comparative production-cost studies were made to test whether the price relationships recommended would induce the desired relative production of different commodities in areas where they compete in production. Field information on past operation of price support programs and the problems encountered with them was brought together through the Regional Divisions of the Program Appraisal Branch. As a result of this review, several recommendations were modified and statements clarified.

The Program Appraisal Branch also compiled extensive statistical data on commodity production and prices in recent years. These were brought together in commodity charts showing simultaneously the production goals and actual production, support and ceiling prices, and market-price movements.

All of this material was furnished the Deputy Director to help him in fulfilling his responsibilities within the Office of Distribution and as representative on the Price Review Committee. The price recommendations and justifications were briefed for presentation to the Office of Price. The Office of Distribution was the only agency to comply fully with the request of the Office of Price for written recommendations and justifications for all commodities.

The recommendations by the Office of Distribution were followed substantially in the final support price determinations. In cases where proposals developed in the Price Review Committee deviated from the Office of Distribution recommendations, however, the Distribution Planning Branch made quick checks with the commodity branches to furnish the Deputy Director a basis for concurrence in the recommendations by the Price Review Committee or for asking reconsideration of them.

The development of the 1946 support-price program has not yet been organized, pending the development of tentative production goals to be supported.

D. 1945 Price Support Schedule for Potatoes

Following determination of the 1945 support price for potatoes, question arose regarding the seasonal f.o.b. support prices to implement the national support. The national support price for potatoes in 1943 had been set at 92 percent of parity, but the national average return to growers for the 1943 season was reported at 108 percent.

The Distribution Planning Branch was therefore requested, in cooperation with the Fruit and Vegetable Branch, to review the basis for establishing f.o.b. prices with the view to reducing the discrepancy between the intended support and the actual returns to growers.

After consultation with the Fruit and Vegetable Branch, a revised basis of f.o.b. support prices at major shipping points was developed. State and area equivalents to the national support price were determined from historical data, using a combination of absolute and percentage differentials, f.o.b. prices corresponding to the state and area equivalents were similarly worked out. The schedule thus developed was adapted by the Fruit and Vegetable Branch, taking account of customary inter-market differentials, in preparing the schedule that was actually announced for 1945 f.o.b. support prices in 26 early and intermediate potato producing districts and 38 late potato producing districts.

E. Food Subsidy Programs

Government subsidies are provided on a number of food commodities to reconcile discrepancies between support and ceiling prices. These subsidy programs were instituted piecemeal and had not been adequately recognized as presenting a collective policy problem. At the request of the Deputy Director, the Distribution Planning Branch, with the cooperation of the commodity branches, brought together a unified picture of these programs showing when and why they were initiated, how they operate and the operating problems they have presented, their cost in the past and their anticipated cost for the balance of the fiscal year, and the prospective need for their continuance. This material was furnished various officials for their general information and particularly for their use at Congressional hearings and in public statements relating to the subsidies.

F. Prospective Cost of Price Support Programs

To assure the availability of funds to fulfill the responsibilities of the War Food Administration for supporting the prices of farm products, a special analysis was made of the prospective cost of price support operations through the end of fiscal 1946 and during the 12-month period following termination of the war. The portion of this analysis dealing with commodities for which the Office of Distribution had price support responsibilities was made by the Distribution Planning Branch in cooperation with the commodity branches. This analysis brought together on the basis of uniform assumptions estimates of the volume of price support activity that would be required, commodity by commodity; proposed programs for supporting prices; and the prospective costs for each program. The combined cost was broken down between operations that would be financed with Section 32 funds, those that could be handled through the General Commodity Purchase fund set aside by Commodity Credit Corporation, and those that would represent additional demands on general funds of the Corporation.

The Office of Distribution estimates, in combination with those developed in the Commodity Credit Corporation, indicated the need for an increase in the authorized borrowing power of the Commodity Credit Corporation. A request was made to Congress on the basis of which Congress authorized an increase of one-and-three-quarter billion dollars in Commodity Credit Corporation borrowing power.

G. Master Docket for Price Support Programs

The necessity for making purchase and price-support operations rapidly adjustable to changing price and production situations during the war required simplifying and unifying the preparation of dockets. These programs were frequently hampered because an adequate docket, with all necessary clearances, was not prepared soon enough to permit prompt action where necessary. This was especially the case with perishable commodities.

The Distribution Planning Branch was therefore requested, in consultation with the Fruit and Vegetable Branch and the Procurement and Price Support Branch, to develop a uniform docket procedure. In response to this request the following plan was recommended. A master docket should be prepared for each commodity or group of related commodities several months in advance of the need for purchase and price-support operations. This docket, covering the general authority for action, the conditions under which action might be undertaken, and the type of program and methods of operation, should be approved by all agencies and officials concerned. Prior to the time of initiating an actual purchase and price-support operation a specific program authorization would be prepared along with any necessary amendments to the master docket. With the general authorization and program plan already developed, specific authorizations could be put through with dispatch at the time of initiating operations.

The recommended docket procedure and outline was made available to the Purchase and Price Support Branch and commodity branches. The branches report that the use of master dockets has been widely adopted and the outline has been used successfully as a guide in preparing master dockets and program authorizations.

II. LONGER-RANGE PRODUCTION AND PRICE PROBLEMS

Support prices in wartime are relatively simple to carry out because the demand for most farm products is high. The more difficult job during the war is to keep food prices from rising too much. But as wartime demands fall off the support of prices to farmers is likely to become very difficult. Specific commitments have been enacted for supporting the prices of most major farm products for a period of at least two years after the war. With production expanded by about one-third since the war began, careful planning is required for fulfillment of these commitments when military and Lend-Lease requirements taper off, and especially in case lower wages and employment simultaneously reduce civilian demand.

The Marketing Analysis Division and its predecessor organizations have devoted considerable attention to this problem and carried through a number of major projects relating to it.

A. Estimates of Production, Consumption, and Surpluses

Before specific plans are made for price supports and surplus disposal activities it is necessary to have some idea of the probable size of the surplus problem. This will depend upon the rate of agricultural production and the rate of food and fiber consumption. But both production and consumption will be affected by the levels at which prices are supported and by the methods of price support used.

Tentative estimates were therefore made of the production, consumption and surplus of several farm products during the next two years.

assuming (1) that all support prices would be reduced to 90 percent of parity; (2) that national-income would drop to 120 billion dollars; (3) termination of Lend-Lease and other wartime export programs and reduction of military requirements to be one-half those in 1944. It was estimated that surpluses might amount to 27 million bushels of rice, or 44 percent of the annual crop; and the following percentages of annual production for other foods: lard, 28 percent; sweetpotatoes, 19 percent; dry peas, 17 percent; eggs, 15 percent; chickens, 11 percent; potatoes, 8 percent; dry beans, 8 percent; wheat, 7 percent; turkeys, 6 percent; fresh vegetables, 2 percent. No surplus of meats nor milk were indicated; rather, both of these products would be in deficit at prices equaling 90 percent of parity. No estimates have yet been made for non-food products, but it is obvious that a serious cotton surplus might easily develop.

The initial study in this field was made in cooperation with the Office of Production and the Division of Farm Management and Costs, Bureau of Agricultural Economics, and was carried through with assistance from the commodity branches. The Division is continuing this work in cooperation with the Economic Analysis Division of the Office of Requirements and Allocations, in order that these estimates, fundamental to sound program planning, may from time to time be brought up to date in the light of the changing production and consumption picture.

B. Proposal for the Adjustment of Support Prices

As pointed out in the study just mentioned, prices at 90 percent of parity would result in large surpluses of some farm products and deficits of others. This suggests the need for adjusting price support levels in line with current conditions of demand and supply. The Division developed a proposal for doing this which received wide attention.

In brief, the proposal provided for establishment of a "base production" for each commodity equal to the amount that the market would absorb at parity prices under normal business conditions and with allowance for exports and for changes in carry over. The Department would guarantee to support the price of any commodity at parity if production were equal to this base, or in any case at a price that would bring producers an income equal to base production times parity price. Such an arrangement would assure a stable income to producers of each commodity while at the same time it would permit relative price adjustments between commodities in line with current demand and costs of production. It would obviate the need for production control programs.

A number of specific commodity applications were worked out in cooperation with commodity branches. From an economic standpoint the proposal has been rather widely agreed to be feasible and desirable. It could not, of course, be applied during the Steagall period under present interpretations of the Steagall amendment as requiring

maintenance of prices specifically at 90 percent of parity, commodity by commodity. For a continuing price support program, however, it offers a much sounder basis than is possible under any rigid, mechanical application of the parity price formula.

This proposal has been discussed with a number of Department officials, including the former Secretary of Agriculture. It has also been taken up with the Committee on Postwar Agricultural Policy of the Association of Land Grant Colleges. It has done a great deal to focus attention on the price problem and to stimulate thinking on methods for dealing with it.

Meanwhile the Division is continuing to examine other proposals, such as limitation of the volume of production to which the Steagall support prices would be made applicable and making of direct payments to producers instead of actually maintaining market prices.

C. Food Distribution Programs and Food Allotments

One method of avoiding dangerous surpluses is by increasing consumption. Millions of people in the United States need more food. If they could get the foods they need and want, there would be few food surpluses.

The Division has been making a general study of possible postwar food distribution programs including School Lunches and the former Food Stamp Plan. As an outgrowth of these studies, and in cooperation with the Civilian Food Requirements Branch, the Economic Analysis Division of the Office of Requirements and Allocations, the Bureau of Human Nutrition and Home Economics, and the Bureau of Agricultural Economics, the Division worked out a new proposal for improving the diets of low income families. The Agricultural Committees of the Senate and of the House of Representatives indicated an interest in this proposal, and at their request the Division assisted them in drawing up the National Food Allotment Bill (S. 1151) recently introduced in the Senate.

Briefly the proposed allotment programs would operate as follows. The Department would determine from time to time the cost of a minimum adequate diet (present cost about \$15 a month per person). A book of coupons covering the cost of this diet and acceptable in any food store would be sold to any family wishing to participate in the program. Participants would pay up to 40 percent of the family income for the coupons. Some coupons could be earmarked for use only in buying particular foods that were in surplus or were especially needed in the diet.

Detailed estimates have been made of the probable cost of such a program, the number of participants, and the expected increases in food consumption. These estimates will be ready for use in reports to Congress and at hearings on the Bill, as well as in general public information relating to the proposal.

The program would greatly increase the consumption of such foods as vegetables, fruits, dairy products, eggs, and meats. Thus besides contributing to the health and welfare of consumers, it would be an effective means of expanding farm markets and raising farm incomes. Furthermore, since its operation would expand and contract with changing earnings during depression and prosperity, it would go a long ways toward assuring farmers stable markets and incomes independent of fluctuations in general business conditions.

D. The Use of Section 32 Funds
to Encourage Fruit and Vegetable Exports

In anticipation of possible surpluses of various fruits and vegetables when wartime demands fall off, the Marketing Analysis Division was asked to look into the possibilities of using Section 32 funds to encourage exports of these commodities. This was done in cooperation with the Fruit and Vegetable Branch and the Office of Foreign Agricultural Relations. A report was submitted summarizing past use of Section 32 funds for export programs, indicating the commodities that are exportable and for which export programs are most likely to be needed, and outlining the postwar foreign trade prospects for these commodities.

The analysis explored particularly the possibilities of using Section 32 funds to protect exporters against losses due to exchange fluctuations or due to imposition of exchange controls by foreign governments. It also considered the possibilities of providing credit insurance to exporters. The report concluded that while some of the types of programs mentioned might be desirable for encouraging exports of fruits and vegetables or other commodities, the nature of operations was such that they could not satisfactorily be financed with Section 32 funds.

This report was used by the Director and other officials particularly in discussions with trade groups that had expressed an interest in programs of this type.

E. Transportation Indemnities for Supporting Farm Prices

Another price-support and surplus-disposal proposal, originating in the Division, is the use of transportation indemnities. There is reason to believe that for many perishable fruits and vegetables, for example, a reduction in price to consumers in distant markets where the products are locally out of season would tap a latent demand that would be very effective in moving surpluses at shipping points and supporting prices to growers. One way to do this is through payments in connection with the transportation of the commodities, the payments being graduated with distance. Shipments to distant markets, where demand is seasonally elastic, would be encouraged and gluts relieved in saturated nearby markets. Cost to the Government for supporting prices would be less than under a purchase program, and problems of handling the commodities and finding outlets for them would be obviated.

A specific proposal along these lines was prepared in the Division and is now being studied in the Fruit and Vegetable Branch. A joint attempt is being made to determine the effects that such a program would have had as an alternative to some recent Section 32 purchase programs. It is expected that a number of the seasonal and perishable or semi-perishable fruits and vegetables will be found suited for this method of surplus disposal.

III. MARKETING SPREADS AND IMPROVEMENTS IN MARKETING

The Office of Marketing Services has specific responsibility for a number of marketing service and regulatory programs. It has general responsibility for Government activities to promote efficient and orderly marketing of farm products and protect producers from exploitive practices.

This work will be particularly important during the next few years. With agricultural surpluses in prospect, there will be intensified need for minimizing price spreads between producer and consumer in order to widen outlets for farm products and maximize producers' returns. Meanwhile, during reconversion the general character of the marketing system for many years will be crystallizing. Up-to-date, reliable information will be needed on the changing structure of markets and marketing costs. Existing programs should be reviewed to make sure they are fully adapted to postwar marketing needs. New programs will be required to meet the new problems that will arise.

This involves a tremendous job of fact-finding and program appraisal and development. Neither the Marketing Analysis Division nor any other unit in the Office of Marketing Services has the facilities for it. However, the Division has completed or is carrying on a number of important projects in this field.

A. Marketing Costs and Margins

Since the beginning of the war there has been a substantial rise in farm prices, a considerable increase in the volume of agricultural production, and an unprecedented expansion of demand for farm products. These economic conditions, together with price control and rationing, have resulted in many changes in marketing practices and in marketing costs and margins.

No current reports provide a reliable picture of these changes. The Division is therefore exploring ways of getting such information. A preliminary study has been made, with assistance from the Fruit and Vegetable Branch, of costs and margins in marketing selected fruit and vegetable commodities from different shipping points and in the Philadelphia terminal market. The object is to determine the most satisfactory procedure for obtaining cost and margin data, preferably at regular intervals and through the established Office of Marketing Services organization for market reporting. Different procedures for getting this information have been tested, including

marketing surveys and interviews with dealers, analysis of dealers' records voluntarily made available, and actual tracing of the contents of a sample of cars from the shipping point through the terminal market.

A report will be submitted in July showing the results of this test study, comparing the costs of different procedures, and recommending how best to obtain needed information on changing marketing costs and margins.

B. Cooperative Agreements with the States for Marketing Services

The Marketing Analysis Division is analyzing the cooperative agreements of the Office of Marketing Services with various cooperating State agencies for the inspection and grading of farm products and other marketing services. The complexity and diversity of the agreements and of the financial arrangements between the Federal and State agencies are confusing, and work to the disadvantage of the operation of the programs. Clarification of policy is needed, especially regarding the assignment of responsibility for the operation and financing of the programs. The most desirable provisions now carried in the most recent agreements need to be more uniformly adopted.

The Division, in cooperation with commodity people operating the programs, is developing policy recommendations. A master agreement for each service, supplemented by annual memoranda of understanding, is being suggested as a means of implementing the policy decisions that are made, and a preliminary draft of such a master agreement for grading and inspection work has been prepared. In addition to embodying uniform policies and the uniform improvement of existing arrangements, use of a master agreement will set apart and clarify the provisions dealing with purposes and principles of the agreements in contrast to operating details, will facilitate proper delegation of responsibility for the latter to operating personnel, and thus will permit more flexible operations within the limits of over-all policy determinations.

Chief emphasis so far has been on the inspection and grading work. This phase of the project should be finished within a few weeks, when similar work will be undertaken on the market news and other cooperative services.

C. Marketing Agreements

Increasing interest in marketing agreements is already apparent in anticipation of the recurrence of problems of orderly marketing and maintenance of prices to producers. The present Marketing Agreements Act, however, has serious limitations as a basis for an effective program. It imposes narrow restrictions on the purposes for which agreements with supporting orders may be operated, on the commodities to which they may be applied, and on the provisions they may include.

The Marketing Analysis Division therefore undertook a study, in cooperation with the commodity branches, of the status of marketing agreements and the potentialities of this technique for implementing marketing objectives. In particular, a substantial list of marketing improvements was developed that might be put into effect through marketing agreements, given suitable legislative authorization. These improvements would reduce price spreads between farmer and consumer and help assure producers a fair return for their products.

A report was submitted discussing the general possibilities and limitations of the marketing agreement approach; outlining the specific marketing improvements suggested for application of agreements, once the necessary legislative authorization is obtained; and indicating three alternative approaches to provide this authorization.

Consideration is currently being given in the Director's office to the legislative problem. As soon as a decision is reached on this, the Division is prepared to go ahead with development of appropriate specific programs.

D. Conversion of Food Dehydration Plants

Disposition of wartime food dehydration industries will be a reconversion problem. These industries showing little prospect of getting wide civilian acceptance of their products will need to contract materially from their expanded wartime level. But those whose products meet real peacetime needs might well be given Government assistance while civilian markets are being developed. Once established in the civilian economy, they can furnish a desirable outlet for farm products.

The Marketing Analysis Division has reviewed this problem in consultation with the commodity branches concerned. A report is currently being submitted presenting the following conclusions. For eggs, whole milk, and most dehydrated vegetables, the prospects of widespread consumer acceptance in the near future are poor. Extensive liquidation of facilities will likely be necessary in these industries. The report explores some possibilities for conversion of plants or equipment to other uses.

Quite the opposite situation prevails with dried skim milk. The great nutritional value of non-fat dry milk solids and the possibilities of improving diets through indirect as well as direct uses of this product -- such as enrichment of bread -- offer extensive potential outlets. Furthermore, producers will need an outlet for tremendous quantities of skim milk once butter production is restored to a peacetime level at the expense of wartime whole-milk products. Government aid should therefore be given this industry to maintain existing facilities while peacetime uses and merchandising methods are being developed.

IV. SPECIAL SERVICES AND INTERAGENCY COOPERATION

The Marketing Analysis Division has also performed during the year a number of special services, and has been called upon to consult on or participate in a wide variety of marketing projects. It has represented the Office of Marketing Services and the Department in a number of important inter-bureau and interagency activities. Some chief examples of this phase of the Division's work are briefly described here.

A. Handbook of Marketing Statistics

For the convenience of administrative officials, the Division prepared a pocket-size "Handbook of Marketing Statistics" bringing together the most up-to-date data relevant to the marketing of all major farm products. Annual production, stocks, imports and exports, and domestic disappearance through the major war programs and civilian use are combined to give a picture of supply and distribution. Acreage figures are shown as well as physical production. Price data include the average farm price, the parity price, and support and ceiling prices along with actual prices in chief markets. The commodity information is supplemented by important index numbers, farm income statistics, and data on lend-lease deliveries, refrigerated warehouse space, and weights and measures. Figures are given for 1942 through 1944 and in some cases 1945, with 1937-41 averages for comparison.

- The Handbook drew upon information from the Division of Statistical and Historical Research, the Bureau of Agricultural Economics, and the Office of Foreign Agricultural Relations, as well as published United States Department of Agriculture statistical materials. To give the administrative officials a well-rounded picture it included certain material classed as confidential or restricted to administrative use only.

A number of favorable comments have been received from users of this Handbook and inquiries have already been received as to whether and how soon a revised edition will be prepared including data that has become available since the original issue.

B. Analysis of Office of Price Administration Margin Allowances

The maximum price regulations of the Office of Price Administration cover in detail the prices at which various foods can be sold by different classes of marketing agents and directly or indirectly limit the mark-ups that they can take. These regulations are highly complex in many instances, making it difficult to visualize their effects on the movements of farm products through different trade channels. The Distribution Planning Branch therefore prepared charts for several commodities and commodity groups showing diagrammatically the effective mark-ups that could be added to the

original ceiling prices on sales through different trade channels. These diagrams were distributed to the Deputy Director and his staff and to various commodity people concerned with the development and clearance of maximum price regulations. A number of comments were received on the helpfulness of this material to officials required to take prompt action on proposed maximum price regulations and amendments.

C. Third Inter-American Conference on Agriculture

The Third Inter-American Conference on Agriculture is to be held this summer in Caracas, Venezuela. One section of the conference program is devoted to Markets and Transportation. The Marketing Analysis Division was requested to prepare a summary statement on it for submission at the Conference.

Such a statement has been prepared, with assistance and suggestion from specialists in the fields covered. It outlines the broad scope of agricultural marketing and the essentials of a modern, efficient marketing system. It points out the different types of activities by government agencies in the United States and elsewhere for providing and encouraging efficient and orderly marketing, and highlights some of the problems and policy decisions that confront government officials in the administration of such activities. A selected bibliography of reference materials is appended.

The statement was submitted to the Office of Foreign Agricultural Relations, where it received high commendation. It has been duplicated in English, and is being translated into Spanish for distribution among the Spanish-speaking delegates at the Conference.

The Marketing Analysis Division has also formulated a program of specific actions that the conference can initiate for constructive international cooperation to improve the marketing of farm products in the Americas. The American delegate plans to present this program at the conference as a recommendation for conference action.

D. Interim Food Commission

The Division has also made a substantial contribution to the work of the Panel on Nutrition and Food Management of the Interim Food Commission. This Commission was established as a result of the United Nations Conference on Food and Agriculture at Hot Springs, Virginia, in 1943. It is laying the groundwork for a permanent international Food and Agriculture program. It has relied heavily on the Marketing Analysis Division for analyzing a wide variety of proposals for improving food marketing and distribution throughout the world.

E. Participation in Interagency Activities

1. Interbureau Committee on Postwar Programs - Of particular importance has been the Division's participation in the work of

the Interbureau Committee on Postwar Programs and the closely related activities of the Committee on Postwar Agricultural Policy of the Association of Land Grant Colleges and Universities.

The Department of Agriculture has organized through this Committee a comprehensive study of postwar agricultural problems, policies and programs. The Office of Marketing Services has primary responsibility for the work on marketing and distribution of farm products, including price policy and food distribution programs. Within the Office of Marketing Services the Marketing Analysis Division has had chief responsibility for organizing this work. It has represented the Office of Marketing Services in conferences held by the Interbureau Committee and its regional leaders and with the Land Grant College people.

It has become increasingly widely recognized that protection of farm prices and income and handling of surpluses will be a major postwar agricultural problem. The Division has been instrumental in pressing work in this field under the auspices of the Interbureau Committee. This work will be intensified in the near future by a special study group in marketing set up jointly by the Department of Agriculture and the Land Grant Colleges. The task assigned the group is to prepare a postwar marketing program for agriculture. The Division is responsible for the Department's part in this work.

This activity has provided a particularly advantageous opportunity for centering discussion on the agricultural marketing problems that are anticipated during and after reconversion and for getting widespread consideration of various of the proposals developed in the Division, as previously described, and similar proposals from other groups.

2. Statistical Yearbook Committee - The Division has represented the Office of Marketing Services on the 1945 Statistical Yearbook Committee. This Committee prepares the Department's annual Agricultural Statistics, widely used throughout the United States and throughout the world as an authoritative compilation of data on agriculture. The Office of Marketing Services has special interest in seeing that it contains essential data on prices, distribution and other phases of the marketing of farm products, and that these data are accurately and conveniently presented. In connection with this assignment, the Division is reviewing the scope of marketing statistics published in the Yearbook with a view to discovering gaps that might be filled or improvements that might be made in future issues.

3. Miscellaneous - The Division has also prepared, at the request of the Office of Information, several comprehensive discussions of the marketing and food distribution program for use in regular and special reports by the Secretary and the War Food Administrator.

It has on numerous occasions prepared special information on the now

defunct Food Stamp Program and other distribution and diversion programs. This has been done to meet requests from various groups and agencies, including foreign governments. A considerable revival of interest in these programs seems to be developing.

The following list of other projects in which members of the Division have participated and to which they have contributed ideas will illustrate the wide range of activities in which the Division is called upon to participate:

- (a) The basing of price support subsidies to fruit and vegetable processors on grower contracts.
- (b) Continuation of Government aid to the manufacture of sweetpotato starch.
- (c) An analysis of alternative methods of supporting egg prices if surpluses are too large to be dealt with satisfactorily through a purchase program.
- (d) Organization of a cooperative project by the Bureau of Agricultural Economics and the University of Wisconsin to show the impact of the war on American agriculture. The Division was instrumental in getting inclusion in this project of a number of important phases of marketing.
- (e) Planning the information to be obtained on industries using agricultural raw materials in the biennial census of manufacturers, that is now to be resumed after temporary discontinuance during the war.
- (f) Working out interagency agreement on the basis for continuation of the School Lunch Program.

V. WORK PLANS FOR FISCAL 1946

The preceding discussion described a number of projects requiring further work in the coming year. The 1946 Production Goals program, for example, has only begun, and nothing has been started yet on the associated price-support program.

The forecasts of surpluses of the chief farm products subject to the Steagall Amendment will be periodically brought up to date, and continuing work will be required on the best ways of preventing or disposing of these surpluses. The Division is currently requested to appraise the extent to which surpluses of perishables like pork and eggs could be handled through purchase and storage programs. Food distribution proposals will continue to require extensive analysis.

On the cooperative agreements with the States, chief attention so

far has been given the grading and inspection work. This phase of the study is nearly completed, but similar analyses will be made of the market news and other cooperative agreements. Attention should be given other marketing activities on which Federal and State agencies might cooperate.

As rapidly as decision is made on legislative policy regarding marketing agreements, the Division will turn to the development of specific marketing improvement programs to be carried out through agreements with producers and the trades.

Basic to all efforts to make marketing more orderly and efficient lies the need for adequate information on how farm products are currently moving from producer to consumer and how the farm-to-retail price spread is being divided. The project that the Division is now completing in this field only tests alternative ways of getting this information.

A revised Handbook of Marketing Statistics will likely be requested after the 1945 crop summaries become available. The Division plans also to review the adequacy of the marketing data currently published in the Agricultural Statistics. Similar review should be made of other published data on marketing.

Work with the Interbureau Committee on Postwar Programs will be intensified in the coming year through the study group on marketing that has been established jointly with the Land Grant College Association.

These are some of the continuing lines of work of the Division. Two new projects have recently been requested. One is an appraisal of the spread of frozen-food locker facilities and equipment for home freezing and frozen-food storage in the home as providing a new outlet for farm products after the war -- especially for seasonal surpluses of perishables. The other calls for extensive participation, along with the Cotton and Fiber Branch, in the broad research program currently being initiated on postwar agricultural and economic problems of the Cotton Belt. This is an outgrowth of the hearings by the Agricultural Subcommittee of the House of Representatives.

Further analysis will be needed shortly of marketing problems associated with the discontinuance of wartime controls like price ceilings and rationing, and especially of the various food subsidy programs.

A number of other lines of work are urgently needed. Changes during reconversion will largely set the pattern of marketing for many years. Federal-State cooperative relationships in carrying on marketing services are being studied, but a broad appraisal is needed of all aspects of the service and regulatory work and its adequacy for meeting postwar marketing needs. A more definite Department policy

on large-scale organization and monopolistic practices is needed. The developing pattern of Government regulation of all types of transportation services needs study by the Department to assure full protection of farmers' interests in economical transportation. Reconversion changes and the pressure to reduce producer-consumer price spreads should offer possibilities for getting into practice some of the proposals that have been made for eliminating trade barriers and cutting out costly overlapping and duplication and unnecessary marketing services. In general, the time is ripe for aggressive efforts to make the marketing of farm products more efficient so as to maintain returns to producers and widen the outlets for their products.

The Marketing Analysis Division will take on projects in these fields to the extent that its resources permit. But the staff of twelve people, including only five at the higher professional grades, is insufficient for the job that needs doing. No other unit in the Office of Marketing Services or in the Department is equipped to do this job. Analysis work in the commodity branches is limited largely to day-to-day administrative details. Such longer-range studies as are carried on are chiefly on technical aspects of grading, standardization, and quality-improvement programs.

Thus in comparison with what needs to be done, the present economic analysis program in the Office of Marketing Services is strikingly inadequate. The biggest and most difficult problems now confronting agriculture are in the fields of marketing and distribution. Our wartime programs in this field are being questioned, in Congress and elsewhere. We are not well prepared to meet the still more serious marketing problems that will confront us in the reconversion period.

SUMMARY OF OUTSTANDING ACTIVITIES

This report has discussed in some detail the accomplishments of the Marketing Facilities Branch. These activities have been many and varied, but the outstanding accomplishments of the Branch are as follows:

1. More than one and one-half billion dollars worth of farm products were stored during the fiscal year in warehouses under supervision of the Branch, and no storer in any warehouse suffered any financial loss, thus preserving a record of no loss to any storer in any Federally licensed warehouse since the Warehouse Act was passed more than 25 years ago.
2. The cold storage program has resulted in the storing of almost twice as much food in refrigerated warehouses as in pre-war years, although shortages of materials have limited the expansion of warehouse capacity to about 8 percent.
3. Through cooperation with the carriers and other Government agencies a record quantity of perishable food has been transported in refrigerator cars, although the number of such cars available for use has been constantly declining and is about 35,000 cars below the number in use in 1930.
4. The Branch assisted in obtaining rate adjustments which saved more than \$100,000,000 during the year in charges for transporting farm products, and brought the total savings from this activity during a six-year period to a figure in excess of \$600,000,000.
5. A report was prepared showing how \$100,000,000 could be spent in a postwar public works program for building wholesale markets for fruits and vegetables. Such markets could be built on an entirely self-liquidating basis and would bring annual savings in the cost of distribution of about \$30,000,000.
6. A food allotment plan was developed which, if adopted, would guarantee an adequate diet to every family in the Nation and bring tremendously expanded markets for such products as fruits, vegetables, dairy products, eggs, and meat.
7. The Branch has taken the initiative in reviewing proposed production goals to determine the adequacy of facilities for transporting, storing, processing, and packaging, and made recommendations for such adjustments as were necessary to prevent waste of foods and production resources.

